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NEWS SUMMARY

GENERAL Ankara siege boost for PLO The Palestine Liberation Organisation stands to make considerable political capital out of its success in negotiating the surrender early yesterday of the four young terrorists holding 13 hostages in the Egyptian Embassy in Ankara.

BUSINESS Iran welcomes foreign investors IRAN'S planning chief, Ali Akbar Mojtahed, said his country welcomed foreign investment in essential industrial projects, provided this involved the transfer of technology. Page 2

The Turkish Government, which flew four PLO officials from Baghdad to intervene in the drama, is expected to show its appreciation by allowing the PLO to open an office in Ankara — a decision on which it has been dragging its feet for three years.

Rhodesia reality There is no point in anyone closing his eyes and refusing to see the new realities in Zimbabwe Rhodesia since the May elections, Kenya's Vice-President Mwai Kibaki said. He urged Africa not to appear to be encouraging Africans to fight Africans. Back Page

Left campaign Labour Left winners will continue their campaign to reduce the powers of the party leader and reinforce their own influence on future policy when the home policy committee under Mr. Anthony Wedgwood Benn today considers a critical report on the party's last election manifesto. Page 3

Mosque attacked At least 23 people were killed and 52 injured when a grenade was thrown into a mosque in the Iranian port of Khorramshahr. The Iranian border town of Marivan was under the control of autonomy-seeking Kurds after fighting in which 22 people died. Page 2

Laker to sue Sir Freddie Laker warned as his Skytrain service from London to New York resumed that he was determined to go to court to retain the firm his airline lost as a result of the grounding of his DC-10s. Page 3

Priest stabbed British-born Jesuit priest Father Bernard Darke died in hospital in Georgetown, Guyana, after being stabbed while taking photographs of a clash between demonstrators outside a court-house.

Ennals plea David Ennals, former Social Services Secretary, urged the Prime Minister to back the proposal by the Standing Conference on Refugees that a British mercy ship should pick up Vietnamese boat people in the South China Sea.

Away to Italy Great Britain completed a 3-1 win against Spain in their Eastbourne Davis Cup tie and now face a tough away tie against Italy in September. Page 9

Briefly ... Two Soviet cosmonauts on board the Salyut-6 research station broke the 139-day record for man's longest stay in space. Bomb killed a woman and injured 12 other people near a Madrid bar frequented by Left-wingers and intellectuals.

Salvage workers righted the German tanker which capsized off the Sussex coast a month ago. Page 4

CONTENTS Computer leasing: Lloyd's facing biggest disaster... 10 adStrasbourg Assembly: will Euro-MPs settle in... 11 Management: U.S. innovators seek help... 7

Regional aid cuts expected to total about 20%

BY ANTHONY MORETON AND JOHN ELLIOTT

Wide-ranging cuts in Government regional aid for industry, aimed at reducing the cost of the programme by about 20 per cent, are expected to be announced today by Sir Keith Joseph, the Industry Secretary.

Regional Development Grants (present rates) New plant and buildings machinery and works %

He will also announce that the Government is maintaining most selective industrial aid schemes, including support for major inward investment projects.

These are the first of a series of policy decisions to emerge from the Industry Department during the ten days before Parliament rises for the summer recess.

Today's announcements in the Commons are likely to receive a hostile response from various areas of the country and from some parts of industry.

NEB SEEKS TITANIUM AID The National Enterprise Board wants the Government to provide up to £20m immediately to build a titanium production plant for Rolls-Royce aero engines. The

Political crisis in India as Desai stands down

BY K. K. SHARMA IN NEW DELHI

MR. MORARJI DESAI stepped down yesterday as Prime Minister of India, yielding to growing pressure after the desertion of most of his Cabinet colleagues and of the members of the ruling Janata Party in Parliament.

Mr. Desai's resignation, after 23 months in office, places an unprecedented constitutional burden on the President, Mr. Sanjiva Reddy, who must now find a new Prime Minister. He has asked Mr. Desai to remain until this process is completed.

There is considerable confusion here as to what will happen. The strongest contender for the Prime Ministership is the Barjan (untouchable) Deputy Prime Minister and

General Motors in key pay talks

BY JOHN WYLES IN NEW YORK

GENERAL MOTORS and the United Auto Workers today start crucial negotiations on a new three-year contract which could have a significant impact on the U.S. economy over the next 12 months.

Similar bargaining sessions will also start with Ford and Chrysler later this week. But as the September 14 expiry of the car industry's agreement approaches, attention will be increasingly focused on GM.

This is because GM is virtually certain to be the UAW's strike target if negotiations are conducted by mid-September. Ford was hit by a strike for several weeks in 1976 and Chrysler has been virtually ruled out by the union because of its financial weakness.

U.S. bank sues Lloyd's for \$10m

BY JOHN MOORE

THE BANK of Lincolnwood of Chicago, U.S., is suing 55 Lloyd's of London underwriting syndicates for \$10m punitive damages. Its action arises from computer leasing insurance policies which are expected to produce the largest loss that the Lloyd's insurance market has ever experienced.

As part of its action Bank of Lincolnwood is suing the First National Bank of Boston, the bank which has been engaged by Lloyd's to help in the settlement of claims on computer leasing insurances.

CEGB chooses U.S. reactor

By David Fishlock, Science Editor

THE CENTRAL Electricity Generating Board has finally chosen the foreign design of nuclear reactor it wants to build as a demonstration project in Britain.

If all proceeds smoothly, the nuclear industry believes it may be ready to start construction of the new nuclear station, of about 1,200 MW, early in 1981.

The choice is the Westinghouse Electric pressurised water reactor (PWR), one of four designs of PWR the CEGB has been investigating since the Labour Government approved its plan in January last year.

This plan called for construction of a big PWR in Britain to a design approved by the Nuclear Installations Inspectorate of the Health and Safety Executive.

The CEGB is now in the final stages of discussing its choice with the Nuclear Power Company, Britain's main reactor design and construction group, before submitting it to the Government.

Major features of the choice are the considerable assistance it believes Westinghouse will provide in transferring technology to Britain and the fact that 38 Westinghouse reactors — more than those of any other supplier — are already operating in the U.S. and Europe.

The CEGB's decision will be a blow to the hope of a new international nuclear consortium called RNC (Nuclear) set up late last year by Rolls-Royce.

Rolls-Royce's collaborators are Northern Engineering Industries, the North-Eastern engineering group embodying Rayrolle Parsons and Clarke Chapman and the U.S. nuclear company Combustion Engineering. This was the grouping through which Combustion Engineering chose to make its bid for an international market for its System 80 PWR.

So eager was Combustion Engineering to secure the British contract as its first reactor sale overseas that it made available to the CEGB a full safety report, including details of the reactor design, going far beyond anything Westinghouse has disclosed.

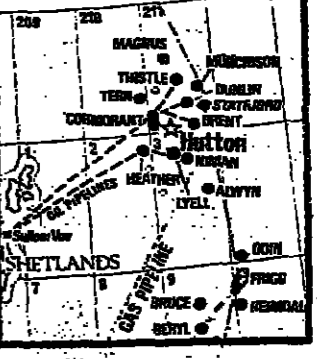
Although earlier in the year improvements in non-wage benefits and for pensioners appeared to be the UAW's priority, continuing high inflation is increasing pressure from its membership for a substantial pay rise.

GM is the largest industrial company in the U.S. It spends last year of \$62.3bn. It sales about \$32.7bn a year at supplier companies, and most economists agree that a long strike at GM would deepen the recession forecast for this year

More North Sea oilfields to be developed

BY KEVIN DONE, ENERGY CORRESPONDENT

FOUR North Sea oil groups will approach the Government in the next two months for permission to develop new offshore oilfields at a cost of more than £1.5bn.



Conoco, the U.S. oil company, and seven other companies including the British National Oil Corporation and the British Gas Corporation, have decided to press ahead with the development of the Hutton Field.

At the same time the Thistle Field group, for which BNOG is the operator, will soon ask the Government for permission to develop a further oil accumulation in block 211/18.

In addition to these two projects a group led by Marathon Oil of the U.S. is expected to file a development application with the Energy Department in early August for the \$600m-£700m development of Brae Field, and the Mobil group is close to seeking permission to extend the Beryl Field with the construction of a second platform.

For the Hutton Field it is planned to use a revolutionary platform design which has not been used for a full commercial development.

The Hutton Field located to the east of the Shetland Islands, between the Cormorant and Brent fields, will be an important proving ground for the sort of technology that will probably be used for developing oilfields that are found in, particularly deep water.

The Hutton Field lies in 482 feet of water, and Conoco, operator for the field, maintains that even in such relatively shallow water a tension leg platform is already competitive with traditional systems. In deeper water it would have much more marked economic advantages over fixed platforms.

The Hutton Field is a relatively small North Sea field with recoverable reserves estimated at about 250m barrels of crude oil. It could cost £500-£700m to develop.

The Government's decision on the future of the British National Oil Corporation is expected to be made known soon. But until then, delays in confirming offshore licences may stop new exploration work beginning this summer.

Who we are. Northampton is a mature county town, a recognised commercial and industrial centre and prosperous growth point.

What we offer. Better offices, factories, warehouses and sites, plus homes for your employees and all the facilities of a well-established town.

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OVERSEAS NEWS

WORLD TRADE NEWS

Carter battle to stop 'drift'

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON
PRESIDENT CARTER yesterday put the finishing touches to what, by common consensus, was to be the most important speech in his political career...

Bonn admits exceeding North Sea cod quota

WEST GERMAN fishermen took "substantially" more cod from the North Sea last year than they were entitled to under an agreement with their Common Market partners...

Japan's UK mission fails to impress

HOW MUCH did the import promotion mission despatched by Japan to the UK early this year really achieve? The answer boiled down from the responses of half a dozen or so industries which were on the mission's visiting list...

Electronic Components Industries Federation says that his initial fear that too many UK based employees of Japanese companies had been included in mission disappeared when it was found that the Japanese buyers "worked hard and seriously"...

Six killed in south by grenades

VIOLENCE broke out yesterday in the southern town of Khorramshahr in some of the ugliest incidents since fighting began there at the end of May between Iranian Arabs seeking autonomy and the Persian community...

Iran 'open to joint ventures'

IRAN WELCOMES foreign investment under certain conditions and is hoping for foreign participation in essential industrial projects, provided this involves the transfer of technology, according to Mr. Ali Akbar Moinefar...

Offer to Irish tanker drivers

THERE ARE hopes of an early settlement of an unofficial dispute involving oil tanker drivers and jetty workers in Dublin, which had threatened to upset Ireland's delicate oil supply situation...

Sharp increase in China trade

HONG KONG - China's foreign trade in the first six months this year totalled \$13.6bn (£5.9bn), up 43.2 per cent from the same period in 1978, according to Peking's official Xinhua news agency...

Impo-Expo returns to London

NEARLY 50 developing countries are participating in the London Impo Expo 1979 which begins today with a week-long symposium on how to sell to the Common Market...

Giscard restates Pacific role

FRENCH PRESIDENT Valéry Giscard d'Estaing last night began a week-long tour of the country's Pacific territories, in which he is expected to clarify France's aid policy to the area...

£383m Italian trade deficit

ITALY HAS reported a trade deficit of £709bn (£383m) for May, the second worst single monthly figure for more than three years. It compares with a surplus of £65bn in April...

Mexico oil record

MEXICO reached a record oil production of 1,600m barrels a day yesterday, the Energy Minister announced yesterday. Reuter reports from Mexico City...

Russia boosts textile industry

THE SOVIET UNION has embarked on a large scale expansion of its textile industry, with major purchases last year of new textile machinery, according to figures published by the International Textile Manufacturers Federation...

Alcoa in \$765m plan for Brazil

SAO PAULO - Alcoa and Hanna Mining, both of the U.S., have presented a \$765m five-year investment plan to the Brazilian Government...

Rebel tribesmen lack co-ordination and leadership

THE PRO-SOVIET regime in Afghanistan is still considered secure, despite an increase in rebel activity during the last few weeks which has meant that Kabul has lost control of more than half the country...

Joint search

CHINESE Vice-Premier Li Xianlan said yesterday that China will agree to a Japanese proposal that they should jointly develop undersea oil near the Senkaku Islands...

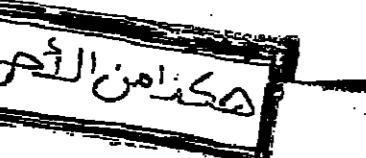
Gulf VLCC rates almost double

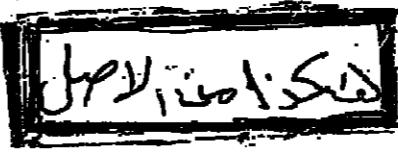
THE OIL TANKER market saw the kind of excitement last week which usually features in periods about shipping tycoons. Within three days, the spot charter rate for very large crude carriers in the Gulf almost doubled...

Costa Rica telephones

General Telephone and Electronics has been awarded a \$60m (22m) contract to provide computerized telephone switching systems for Costa Rica's communications network...

World Economic Indicators table with columns for Country, Year, % change, Index base year





# Revenue from detected tax fraud doubled

BY DAVID FREED

REVENUE FROM uncovered tax frauds doubled in the first full operating year of the new approach. The policy of investigating selected and employed taxpayers in depth. The figures are regarded by senior Inland Revenue officials as justification for the policy under which about 3 per cent of annual returns by self-employed under Schedule D are subjected to rigorous examination. The accounts selected are those considered most likely to disguise tax evasion.

According to a recent Parliamentary written answer by Mr. Peter Ripps, Treasury Minister of State, in the year to October 31 the yield of tax, interest and penalties arising from detection of tax evasion was about £70m. This compares with £37m in the previous 12-month period during which the new approach was adopted in January, 1977. In the year to October 1976 the revenue yield was £23m.

Inland Revenue officials say that, quite apart from the specific yield from detection of self-employed tax frauds, the new approach resulted in a sharp increase in level of profit declared in several sectors.

The Revenue handles the larger and more important cases of evasion through 10 inquiry branch offices employing about 120 staff.

Additionally, four special offices were set up in 1976 and 1977 in London, Edinburgh, Manchester and Birmingham to tackle evasion and avoidance, employing about 20 staff. Another special office, with about eight staff, opens in London next month.

Finally, another 70 staff members work in the board's investigation offices in London handling cases of fraud, forgery and theft, including those relating to sub-contractors' tax exemption documents.

# Left steps up campaign to restrict leader

By Philip Rawstorne

THE LABOUR LEFT will this week continue its campaign to reduce the powers of the party leader and reinforce its own influence on future policy.

Labour's home policy committee, under Mr. Anthony Wedgwood Benn, will today consider a report prepared by the party's research department criticising the last election manifesto as "remarkably weak" in terms of party policy.

The report will provide further ammunition for the Left in its bid to take over the party's levers of power. As part of that campaign, Mr. Callaghan will on Wednesday be pressed to set up a special inquiry into the role of the Parliamentary Labour Party.

Labour MPs are to hold a second meeting on proposals put forward by Mr. Benn and Mr. Eric Heffer for restricting the party leader's power and patronage.

Mr. Benn set out his objectives in a long and carefully prepared attack on Saturday on the "personal rule" enjoyed by Labour leaders both in Government and opposition. In a lecture in Bristol, he said that the "breath-taking scale" of a Prime Minister's patronage and power exceeded that of a medieval monarch.

# World airlines plan to increase fares at Geneva meeting

BY LYNTON MCLAIN

WORLD AIRLINES meet in Geneva tomorrow to debate plans for a rise in air fares from the autumn and British Airways is expected to be among the leaders calling for a substantial increase.

The rise, to be debated by the member-airlines of the International Air Transport Association, could be between 10 and 15 per cent. But this would not rule out a further rise in January if fuel shortages persist.

Aviation fuel now accounts for a quarter of airline operating costs compared with 9 per cent six years ago.

Air fares were last raised in April, but the latest meeting in Geneva was called as a matter of urgency after oil producers raised crude prices by an average of 15 per cent two weeks ago.

Many airlines have been forced to buy fuel on the expensive spot markets to maintain their services.

Trans World Airlines, which buys 10 per cent of its fuel on spot markets, said the cost was now a matter of "critical concern." TWA said a Boeing 707 flying from New York to London used 10,800 gallons of fuel. In 1973 this cost \$1,436. Today contract fuel would cost \$7,550 and over \$11,000 on the spot market.

In international markets TWA has paid up to \$1.35 a gallon for spot fuel, with most prices well over \$1 a gallon

compared with the 55 cents it paid in July for domestic contracted fuel and the 70 cents it paid overseas.

British Airways has also been hit severely. It operates ageing Trident aircraft in Europe. These use fuel less efficiently than more recent airliners and the corporation expects a total fuel bill of over £500m in this financial year.

The airline is expected to start replacing its Tridents with more fuel-efficient Boeing 737s next year. These will be joined by the fuel-efficient Boeing 737 in the early 1980s. But the latest round of oil price increases has partially cancelled some of the technical advances in efficiency possible through the use of the Rolls-Royce RB 211-535 engine, now being developed with £250m of UK Government aid.

The engine is expected to be up to 25 per cent more efficient in its use of fuel than the current generation of narrow-bodied airliners. But by the time it enters service, most of this advantage will have been eroded by the latest and future increases in fuel.

In the meantime, British Airways' foreign earnings have been depressed by the fall in the value of the U.S. dollar. To cover its rising fuel bill, which rose by £100m more than expected in the last financial year to £450m, the airline is certain to support moves in Geneva for an increase in fares of at least 15 per cent.

# Honourable record of aid for the less affluent

NEWS ANALYSIS—REGIONAL POLICY

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE FIRST major change in regional aid for seven years will be announced this week when the Government unveils its new thinking on assistance for the regions. The last big change was brought in by the Heath government—and the Conservatives have a more than honourable record of looking after its less-affluent parts of the country.

Not only Mr. Edward Heath, but also politicians such as Lord Hailsham, when he was plain Quintin Hogg, have been prominent in this field. And, of course, there is Mr. Harold Macmillan, whose allegiance to Stockton and the North East is now part of the oracles.

Indeed, regional policy was actually started by the Conservatives (though they called themselves Nationalists in those days) with the passing of the Special Areas (Development and Improvement) Act in 1934 to alleviate the severe structural unemployment affecting the older industrial areas.

This was the era when narrow and hunger marches were on all the front pages, when Clydeside was called "red" and sent fiery MPs to Westminster like Jimmy Maxton. And a frebrand called Emanuel Shinwell was about to return to Parliament for the third time—for the Durham mining constituency of Seaham. It was also a time when the Rhondda in South Wales was one continuous street of boarded shops.

The '34 Act were a combination of both. By the outbreak of war, more than 12,000 people had found work in leased factories. The real drive forward in regional development had to wait for the end of the war. The war itself merely masked the problems of what were then popularly called the distressed areas by providing full employment; it did nothing to solve the deep-seated causes of the decline of the heavy industries such as coal, steel, and shipbuilding and other labour-intensive sectors such as the railways.

The first steps towards such a regional policy came with the advent of Aides' Labour Government in July, 1945. A Distribution of Industry Act was passed which covered most of the pre-war special areas but which was a lot more interventionist. As such it might be called the real father of subsequent legislation.

Under this Act the then Board of Trade was empowered to buy land, build factories, make loans and grants and generally spend money on clearing derelict sites.

Regional policy, as opposed to practical help for certain areas, got its biggest boost from the Wilson Labour Government. Out of the Department of Economic Affairs, came the division of England into eight economic regions, with their own planning councils. Scotland, Wales and Northern Ireland were treated as separate economic entities.

## Intermediate

The Wilson years saw a large expansion of regional activity, with the introduction of special development areas, investment grants, the regional employment premium, and, eventually, intermediate areas.

All this was too much for Mr. Heath, who immediately changed policy on investment incentives, substituting tax allowances applicable to a firm anywhere in Britain for the grants.

Ironically, though, it was a Heath measure, the 1972 Industry Act, which paved the way for even more intervention. In an effort to reflate the economy steps were taken to offer mandatory assistance for the introduction of new plant, machinery and buildings and selective assistance was offered for job-creating and other schemes.

The Conservatives did not use these measures widely but Labour saw the opportunity and boosted them enormously. The amount paid out in regional development grants alone is now running well over £400m a year, probably five times the amount when the Tories left office in early 1974.

The problem now is that the areas have spawned, over the years, taking away the sharp edge of assistance. The Labour government is thought to have come to much the same conclusions as Sir Keith Joseph but probably felt unable to act because almost all the areas it would have had to prune had Labour MPs. So it has been left to Sir Keith to tidy up the situation.

## Differential

While there was a degree of success, the older industrial areas continued to lag behind the prosperity of the rest of the country and this differential widened after the middle 'fifties when many of the shortages of the immediate post-war years disappeared.

Macmillan's "never had it so good" approach was true for large parts of the country as the 'fifties turned into the 'sixties—but not for much of Scotland, the North and South Wales. So in the dying days of Macmillan's administration Quintin Hogg, then Lord President of the Council, was sent on a fact-finding mission to the North East. It was a trip which the publicists loved as Hailsham sported a flat cap for his travels around Andy Camp country.

If the public face of government was flamboyant there were nevertheless important results. In October, 1963, the first minister specifically responsible for regional affairs was appointed and a year later

## Commissioners

As a consequence of the Act, two commissioners were appointed to promote economic development. One looked after central Scotland and the other the North East of England, West Cumberland and South Wales. Today, these areas are still among those most in need and all four have parts designated as special development areas, which attract the top rate of grants.

Initial policies concentrated on relief for the heavy unemployment. It was only later that any attempt was made to balance the distribution of industry, though the early trading estates which were set up soon after

# Stockbrokers forecast fall in interest rates

THE HIGH level of interest rates should be eased by early September, according to stockbrokers Wood, Mackenzie.

In its latest economic circular, the firm says that money supply pressure has come from the "extraordinary" surge in bank advances in the first six months of the year, which has led to straining of the corset system imposed on the banks.

However, with the end of the mini-boom, consumer and retail borrowing should slacken, while the liquidity of the corporate sector should benefit by £1bn as a result of the rise in VAT accruals.

Even without the banks rationing advances, there should therefore be a significant slackening in the demand for funds after June.

This should be reflected in the banking figures collected through July and provide the

authorities with sufficient evidence of money supply control to allow easing of interest rates.

A similar view is taken by stockbroker Selig in its latest review, which says that by August-September, the underlying increase of sterling bank lending should fall to about £250m-£300m per month.

According to the firm, lower lending, improving balance of payments trends plus overseas inflows will put downward pressure on short-term interest rates, although the Government is unlikely to allow a Minimum Lending Rate decline before a better money supply picture for August or September.

## ABEL MORRALL NAME CHANGE

With effect from July 5, 1979, the name of Abel Morrall has been changed to Aerp Needles Group.

# Wolff may buy Chart Services

By Our Commodities Editor

LONDON metal brokers, Rudolf Wolff, has reached agreement in principle to buy Eurocommodity Chart Services, a wholly-owned subsidiary of Eurocommodities, the company that has gone into voluntary liquidation with estimated losses of over £500,000.

The deal will be put to a creditors' meeting called by Eurocommodities for July 25, when the proposal to go into liquidation will be considered. It is believed the bulk of the company's losses were incurred in metals trading with a number of dealers.

Eurocommodity Chart Services operates as a separate entity, and Wolffs claim it will provide a new area of expertise in chart forecasting drawing on a computer databank.

# Laker will go to court over Skytrain losses

BY LYNTON MCLAIN

SIR FREDDIE LAKER warned as his Skytrain service from London to New York resumed at the weekend that he was "determined to go to court" to regain the £7m in revenue his airline lost as a result of the U.S. order which grounded his DC-10s nearly a month ago.

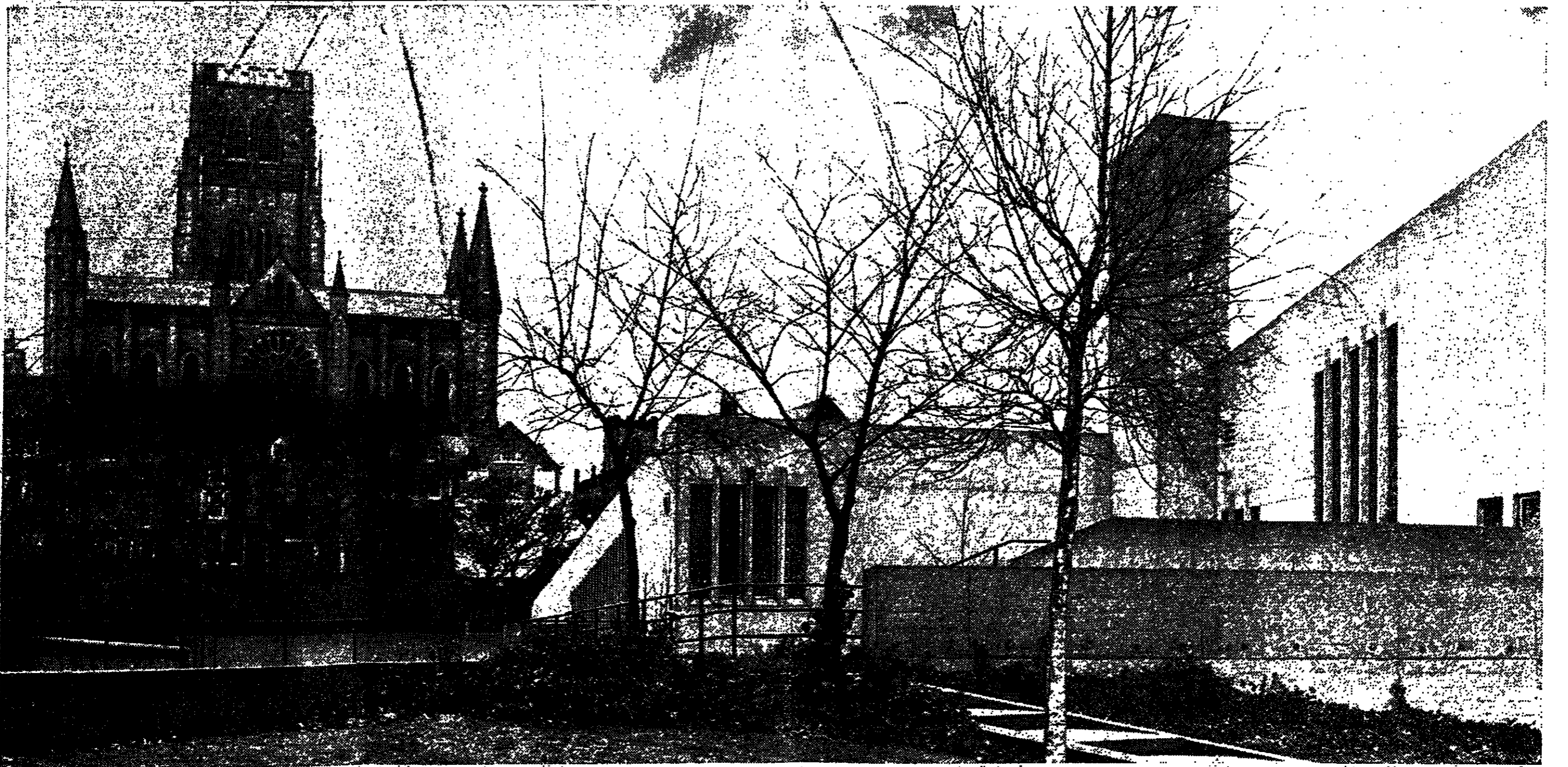
He said he was angry about the U.S. Federal Aviation Authority's "harsh error of judgment in keeping the aircraft grounded for so long." The aircraft were grounded after the Chicago DC-10 crash which killed 273 people.

Sir Freddie is chairman and

managing director of Laker Airways, which owns six DC-10s and has another five on order. He said he thought the FAA was a "first-class candidate for legal action."

Mr. Adam Thomson, chairman of British Caledonian Airways, which owns three DC-10s, said on Saturday he was delighted to get the aircraft back in the air.

"We do not think it was totally justified to ground the aircraft for such a long period; we have always believed it to be perfectly airworthy," he said.



Durham House, University of Durham. Architects: Architects' Co-Partnership.

# Who built a modern university to rub shoulders with a Norman Cathedral?

An architect must tread carefully designing buildings to live in the shadow of a cathedral which has dominated the scene for 800 years.

If the new University buildings at Durham had aped the Norman Cathedral, the result would have been a denial of function. If, on the other hand, they had been designed without thought for their glorious neighbour, the price would have been the degradation, by association, of a landmark of our building heritage.

The greater part of the new buildings at Durham University have been built by John Laing.

They include departmental accommodation for Departments in the Faculties of Arts and Social Sciences, the Engineering Science building, three colleges and Dunelm House. Several architectural partnerships have been involved. The result is a successful fusion of the old and the new which does not compromise the needs and techniques of today for the sake of compatibility.

Educational building is not a Laing 'speciality'. This advertisement could have featured Laing's unique experience of building today's cathedrals (Coventry, and the new Catholic Cathedral of Clifton, Bristol). Or docks in the Middle East. Or oil platforms for the middle of the ocean.

More than 20,000 people make Laing one of the biggest construction companies in the world. However, size alone is no virtue. At Laing our strength

lies not in our numbers, but in our expertise, and our understanding of how man can improve and not deteriorate his environment by construction. We say we make ideas take shape.

Perhaps we should qualify it, and say better ideas.

**LAINING**  
make ideas take shape

UK NEWS

Paintmakers expect prices to rise 32%

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE UK Paintmakers' Association expects industrial paints and coatings prices to rise by at least 32 per cent by the end of the year following the increases in oil-based raw material costs.

Motor overdrives could save 10% more fuel

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A BRITISH invention which dates back to 1947 could save the UK £2m a day in oil costs, it is claimed.

Slow progress made in saving fuel

COMMON MARKET attempts to organise an energy conservation programme in the past five years have made "slow progress", admits a House of Lords committee report.

CONTRACTS AND TENDERS

SYRIAN ARAB REPUBLIC MINISTRY OF OIL & MINERAL RESOURCES General Company of Homs Refinery CALL FOR TENDER NO. 79097 HOMS - VI REFINERY EXTENSION

THE HASHEMITE KINGDOM OF JORDAN JORDAN ELECTRICITY AUTHORITY SOUTH JORDAN DEVELOPMENT PROJECT STAGE I - KARAK STAGE II AND SOUTH GHOR RURAL ELECTRIFICATION

SUI NORTHERN GAS PIPELINES LTD. TENDER NOTICE Sui Northern Gas Pipelines Limited invites tenders for manufacturers for supply of Steel Linepipe on C & F Karachi Pakistan basis, as under:-

Attack on unions denied by Prior

BY PHILIP RAWSTORNE

THERE was no question of the Government mounting an attack on the basic rights of trade unionists, Mr. James Prior, Employment Secretary, said at the weekend.

West Midlands drive to cut car commuting

FINANCIAL TIMES REPORTER

AN ENERGY campaign to persuade motorists to leave their cars at home is being launched this week by the West Midlands Passenger Transport Executive.

U.S. engineering plant for Belfast

BY OUR BELFAST CORRESPONDENT

A U.S. Engineering Company is expected shortly to announce that it will establish its first European manufacturing plant in Belfast, providing jobs for up to 300 skilled workers.

LABOUR

Arbitration may satisfy technicians

By Our Labour Correspondent

THE POSSIBILITY of conciliation in the Civil Service technicians' dispute has been raised by the Institution of Professional Civil Servants.

Teachers to fight staff cuts

BY ALAN PIKE, LABOUR CORRESPONDENT

THE NATIONAL Union of Teachers' executive is to urge "strong opposition and action" at Government spending cuts which would reduce staffing levels in the new academic year.

Printers delay the Economist

PUBLICATION of the current issue of the Economist, delayed because of a dispute at the company's printing works in Brentford, is expected to be completed today.

Tory compromise on local authority clash

BY PAUL TAYLOR

THE GOVERNMENT will announce a carefully devised compromise solution to the competing demands of two rival Conservative-controlled local authority associations this week.

Oxfam income rises by 26% to £9.7m

BY PAUL TAYLOR

OXFAM, the UK-based overseas charity, increased its income by 26 per cent to £9.7m in 1978-79 and its disposable income, after allowing for costs, increased by £1.79m to £8m.

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual Interest, Life gross pay, Minimum of interest, Life sum, Year bond

Teachers to fight staff cuts

BY ALAN PIKE, LABOUR CORRESPONDENT

THE NATIONAL Union of Teachers' executive is to urge "strong opposition and action" at Government spending cuts which would reduce staffing levels in the new academic year.

CBI makes its commitment to equal opportunity

BY LISA WOOD

THE CONFEDERATION of British Industry yesterday formally stated its commitment to the principle of equal opportunity in employment and called for its members to take positive action in that field.

NUJ expulsions reach 390

THE NUMBER of National Union of Journalists members expelled from the union for activities during the nationwide Gerry Aenes and Harold Pearson, who resign as executive members

EXHIBITIONS FIND OUT ABOUT MICRO PROCESSORS COME TO MICROFACT - 17th and 18th JULY A TWO-DAY EXHIBITION OF THE LATEST DEVELOPMENTS IN HARDWARE AND SOFTWARE

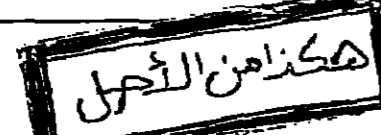
CONFERENCE HOTELS MINI-CONFERENCES BOURNEMOUTH MOAT HOUSE

ART GALLERIES COMPANY NOTICES RESERVE ASSETS FUND DIVIDEND COUPON No. 1

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ART GALLERIES COMPANY NOTICES RESERVE ASSETS FUND DIVIDEND COUPON No. 1



# Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## FINISHING

### Advanced methods of surface treatment

EXTENSIVE blast preparation and surface finishing facilities have been set up in Slough, Berks, by Hankoe Stove Enamelling Co. Convicted that manufacturers are becoming increasingly aware of the need to blast-etch and paint in controlled atmospheric conditions (all the processes will be undertaken in rapid succession). Hankoe has spent over £100,000 on re-equipment of its works at 323 Yeovil Road on the Slough Trading Estate (0753 22779).

In addition to the latest blasting equipment to treat all types of ferrous component, Hankoe plans to devote a considerable amount of its expertise to the fine-finishing of non-

ferrous parts—aluminium, stainless steel, copper and brass. A range of 20 paint finishes are to be offered and included will be an acrylic texture coating which is not only extremely durable but has the added advantage of hiding minor defects in the treated component. A special section has been set up to apply 3M Nextel, a paint finish which gives the appearance of suede.

Hankoe says it will be able to deal with complicated "one-off" jobs equally as well as long runs. Two infra-red ovens, equipped with automatic controllers, will be able to stove up to 300 items an hour. A collection and delivery service is being made available.

### Paint spray control

IT IS claimed that all types of spray finishing can be carried out in the Beaver range of waterwash spray booths just introduced by Mascott Engineering of Ashford, Kent (0233 20401).

A range of eight standard booths is offered in nominal widths from 1.5 metres to 6 metres (all 2.15 metres high). Water held in the 10 swg mild steel tank (capacity 2,046 litres for the 6 metres booth) is pumped to the top of the booth where it falls through a specially designed system of weirs and troughs to create a four-stage scrubber unit.

A continuous screen of water falling over the 3 mm fibreglass washdown screen is devised to ensure that the paintladen air is extracted at low level in the gap between the bottom of the screen and the water tank. The air then passes up through three water screens in the back of the unit before being discharged to atmosphere as virtually clean air.

No mains make-up water is required, says Mascott, because the water in the tank is recycled continuously and in most applications topped up with a gallon of fresh water for each day's operation is adequate.

## INSTRUMENTS

### Dips into sewer

WATER LEVELS in sewers, drains or any other accessible pipes or receptacles can be monitored to two per cent using a robust portable flow recorder made by Portacel.

Easily installed in most standard manholes, "Portadip" makes use of a weighted sensor probe which is raised and lowered automatically on ten metres of cable. When the probe touches the surface a return path to the instrument is formed which causes the motor drive to retract the probe from the surface. The dipping process is then repeated every 30 seconds and the level reached

each time is recorded on waxed paper within the instrument.

The circular recording paper runs for either one day or seven, and the 30 second dipping interval means that no misleading readings are produced due to passing solids.

To give the necessary durability the instrument is housed in a watertight case made from Beetle DMC (glass-fibre reinforced tough moulding compound) supplied by British Industrial Plastics.

More from Portacel, Cannon Lane, Tonbridge, Kent TN9 1PP (0732 384411).

## BROADCASTING

### Infra-red effects on the eye

MORE AND more TV sets are being fitted with infra-red remote control; moreover new applications of this transmission medium are being developed. Investigations have been carried out by Siemens as to whether this invisible radiation can harm the eye's retina.

Serious eye damage caused by electric arcs or laser beams has also attracted suspicion to infra-red light. There have been reports that the light from commercially available led's can have a deleterious effect if the light rays enter the eye under adverse circumstances.

To ensure safety, Siemens' investigations were performed on the basis of visual conditions that rarely occur in practice. The light rays from the diode were collected by the lens of

the eye and the entire radiation energy directed on to the retina. In addition, the light beam was proportioned so that the available energy was focused on the smallest possible area of the retina. In this case, the retina image was only four times larger than the emitting chip area. Furthermore, constraint was applied to ensure that the temperature at the illuminated point on the retina did not rise by more than 10 degrees C—a value that must not be exceeded if a health hazard is to be avoided.

Under these unfavourable conditions, there was a practically linear relationship between chip dimensions and visually critical maximum power.

With standard chips having an edge length of 0.4mm, this power is slightly over 100mW. With

edges 2mm long almost 500mW can be tolerated. The highest-powered diodes of the 0.4mm class, with a maximum power of 20mW, lie well below the limit for this size of diode.

Investigations are based on the assumption that the light-emitting chip is square and flat and radiates hemispherically in accordance with Lambert's cosine law. The semiconductor material used for the diodes is gallium arsenide (GaAs). It is emphasised that the results of the investigation on no account apply to laser diodes. These elements are not Lambert emission sources and emit considerably more coherent light.

Siemens House, Windmill Road, Sunbury-on-Thames, Middx, TW16 7HS. 09327 85891.

## PRINTING

### Graphics products from U.S.

TWO TYPESETTERS and a roll-fed platemaker made in the U.S. by Visual Graphics Corporation have been introduced to Britain by the company's U.K. subsidiary.

Typositor 4000 is a daylight operating display photo-typesetter designed for rapid production of headlines and similar material in sizes from 24 to 96 point. A different kind of master called Microfont is employed—a small rectangle of film measuring about 4 1/2 x 6 1/2 inches containing an 18 point alphabet. The company says that the selection system used allows operators to select

characters in random sequence at speeds up to three times faster than two-inch roll font machines.

Also launched is a low-cost unit that delivers high quality display-sized type quickly and economically without darkroom or plumbings. It has a visual spacing system that allows the user to see exactly what is being set, character by character. All the type is set same size from inexpensive film fonts on to 12 inch paper and processed in normal room light for immediate use.

The platemaker from VGC is an automatic horizontal roll-fed camera type that produces high

quality Rapidith offset masters from line or pre-screened originals in a single step.

Called the Platemaker 200, the unit will accept originals up to 24 x 36 inches and deliver offset masters up to 14 1/2 x 18 1/2 inches at the rate of three plates/min.

Incorporated into the machine are auto-focus, a digital plate length indicator, digital timer and reduction/enlargement ability between 45 and 200 per cent.

More from Visual Graphics Company (UK), 8 Paul Street, London EC2A 4JH (01-247 7378).

## SAFETY

### Detects any movement

JOINING THE considerable number of microwave detectors on the market is a unit from the U.S. called Midec which the agents, Monitor of Colchester say is simple enough to be installed by the property owner or manager.

A beam of microwave energy at low level is sent out rather like a light beam from a torch and is adjustable to have, at a range of 50 ft, a maximum vertical dimension of 10 ft and a maximum width of 20 ft.

Doppler shift principles are used (the analogy is the changing pitch of a train whistle as it passes an observer) so that any motion within the field of the beam gives a slightly changed frequency in the reflected energy which is picked up by the equipment and processed.

An in-built sweep oscillator and amplifier will then power external loudspeakers to raise

the alarm. Should the villain cut the mains supply, a four-hour standby battery ensures continuing protection. Timing circuits permit entry and exit of the staff, and if desired additional window and door sensors can be independently connected.

With the unit, which costs £122 without loudspeakers or additional sensors, comes a very good installation brochure which should prevent mounting of the unit so as to detect, for example, passing cars outside or flapping curtains.

It also takes the trouble to point out that unless some understanding is reached with adjacent premises owners (particularly in residential applications) the alarm sound may well be ignored.

More from Monitor, Berechurch Road, Colchester, CO2 7QH (0206 48221).

## DATA PROCESSING

### Complex equipment design

MILLENNIUM Professional and Technical Services is providing a design and prototyping service to Chubb Integrated Systems during the development of a new cash dispenser system.

The distributed micro-processor techniques used in it will give greatly increased flexibility, in addition to improved customer facilities, compared to earlier models, and considerable interest has already been shown by both UK and overseas clients.

First module to be completed is the display and keyboard sub-system. Providing the all-important communication between the cash dispenser system and the customer, the unit displays messages on a customer screen in one of four languages, and accepts inputs from the customer keyboard. In addition, it controls a second, independent screen and keyboard in the rear of the equipment for use by bank staff.

Multi-lingual message library, with a capacity of 16,000 characters, provides facilities for

nested messages, character translation for special characters used in certain languages, and insertion of literal data from other sources.

Character timing can be modified under program control to give different inter-character spacing when required, and a graphics mode allows the display of complex characters, such as Chinese, using data from the system control processor.

Keyboard characters are normally echoed on the CRT, but the echo is automatically suppressed when secure information is being keyed.

Based on the Motorola MC8802 microprocessor, the design adapts many of the specialised functions of the M6845 CRT Controller to give the two-screen control and the complex display layout facilities with the minimum of additional logic to ensure production economy.

Millenium, 82A, Town Centre, Hatfield, Herts AL10 0JW. Hatfield 67121.

### Will aid show visitors

ORGANISER OF the International Business Show to be held at the National Exhibition Centre from October 23 to November 1 next, Business Equipment Trade Association, has engaged Dupont Computer Services to provide a computerised information service.

Largest of its kind so far held in the UK, the show will cover 33,250 square metres of net stand space in the five halls, with over 400 exhibitors.

Dupont's Factfinder, which will be available free for the use of visitors, will answer a host of inquiries from product information and exhibition facilities to travel and entertainment. Certain information will

also be available in French and German.

Factfinder equipment will have 14 computer terminals located on seven information stands strategically placed throughout the exhibition halls at the NEC. The terminals will be linked by telephone lines to the Dupont computer centre some 25 miles away at Tipton.

Main characteristic: are ease of operation, fast response, greater depth of information more than can be obtained from the average catalogue, a printing facility for those requiring hard copy and type listing of products enabling the visitor to identify an area of interest and plan an economic route round the exhibition.

### Solves a Braille problem

BRAILLE display and editing terminals by Micronex solve problems not typically encountered with the more familiar word processing.

Braille display and editing calls for a full-size display format in dot form which simulates the embossed Braille page, and an ability automatically to accommodate the complex conventions used in text editing and formatting based upon the six-dot Braille cell.

Complementing the computerised systems for Braille translation and production currently in use at the RNIB, the

unit satisfies the requirement for a small stand-alone system capable of scanning Braille pages produced by voluntary transcribers using a Perkins Braille writer, so converting the text into machine-readable form for editing and reproduction. Once captured by the scanning process, the 29 line x 40 character text page is presented as a 20 lns (50 cm) raster scan graphics display for editing utilising the Braille equivalent of word-processing.

Micronex, Harford Square, Chew Magna, Bristol. 027589 300.

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## COMPONENTS

### Smooth ride up or down

AN advanced design of passenger lift controller has been developed by Hammond and Champness.

Heart of the unit is a thyristor controlled regulator which converts the lift drive motor—a double-wound squirrel-cage motor coupled to a worm reduction gear—into an infinitely variable speed unit, with braking being obtained from the low speed winding.

Design is such that acceleration and deceleration patterns are determined by the regulator and take into account the car's payload condition. Cranking speed, levelling and inspection speeds are also controlled by the regulator and a tachogenerator integrated into the circuitry, ensures that motor speed is governed at all times, says the company which has its headquarters at 159, St. John Street, London, EC1 (01-253 4818).

### Educational solar cell

SPECIFICALLY produced for educational use, a Ferranti silicon solar cell is 3 ins in diameter and is capable of producing 0.9A at 0.5V under good sunlight conditions. Physical protection is provided by a tough moulded case and by a Fresnel lens which also acts as a light collector. Power take-off is from metal pins on the rear of the case. Accidental short-circuiting of the output will not damage the cell, and any number of cells can be arranged in series/parallel combinations to provide increased output values.

In addition to providing an educational aid for schools, colleges and universities it can provide the DIY enthusiast with a power source for operating functional models and electro/mechanical devices.

Further from Ferranti Electronics, Fields New Road, Chadderton, Oldham, Lancs OL9 8NP. 061-624 0515.

# IFA

# 12 CYLINDER

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# FAST ENOUGH

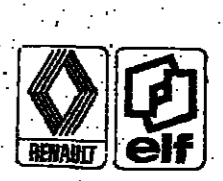
# DRIVE A 1500 c.c.

# RENAULT

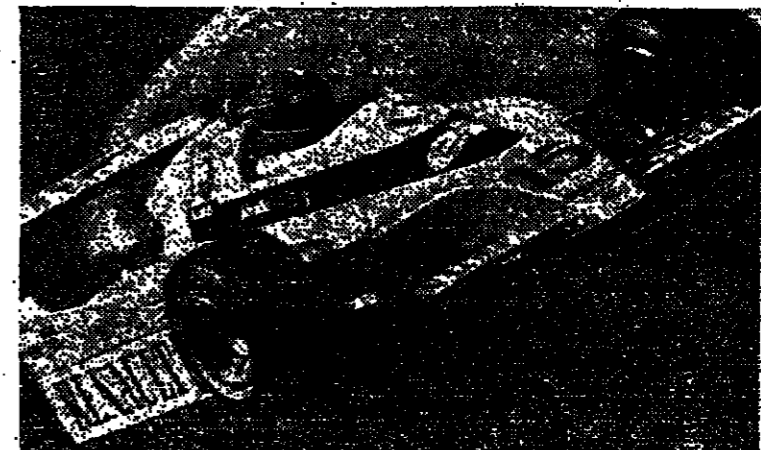
1st and 3rd  
 French Grand Prix

and 2nd  
 British Grand Prix\*

1979



\* Subject to official confirmation.



# Building and Civil Engineering

## Taylor Woodrow's £8.2m Work for Laing in Leicester

TWO CONTRACTS with a combined value of £8.2m have been won by Taylor Woodrow. The bigger worth £7.6m and awarded by the Oxford Regional Health Authority, is for phase one of the Milton Keynes District General Hospital. Taylor Woodrow's contract is in two parts - initial collaboration and liaison with the client's design team followed by a management contract. Construction is programmed to start in October 1980. Completion is scheduled for May 1983.

The second contract, worth £590,000 is for the construction of a container repair depot at Nurfing, Southampton, Hants, and is for Taylor Woodrow Industrial Estates. Architects are D. S. Tucker and Partners, mechanical engineers - John Hemsley Associates, quantity surveyors, Gleeds. Workshop, office accommodation and a library park are included in this scheme which is now under way and programmed for completion in March 1980.

In the north, Taylor Woodrow has been awarded by Sir Robert McAlpine Project Management a contract worth £1.4m for civil engineering works associated with a new Post Office parcels office at Stourton, Leeds, West Yorkshire. Architects are Abbey and Hanson Rowe and Partners of Huddersfield, consultants (structural) Ove Arup and Partners of Sheffield and quantity surveyors Gleeds of Leeds.

## Fairclough wins £7.6m

WORK IN Yorkshire, Teesside and County Durham has been awarded to Fairclough Building totalling £7.6m. Biggest contract is worth £2.6m and is for a new William Morrison supermarket with adjoining bowls hall at Darlington. Bowls hall is joint venture for Morrison and local borough council and, when completed next spring, will provide an all-year-round flat indoor bowling green for the

Darlington Bowls Club. Two projects in Washington, Co. Durham, are a Barclays Bank cash centre (value £480,000) and a £275,000 extension to the Makro self-service wholesale warehouse.

tract from English Industrial Estates Corporation. In West Yorkshire a £560,000 contract is for a single-storey extension to stock-holding facilities at D and F Steels, Leeds. Leeds City Council has awarded a £1.3m contract for 102 council homes, and Middlesbrough Borough Council a £1m job for the modernisation of more than 100 homes at Acklam and Whinney Banks.

## Orders roll in to Bos Kalis

NACAP BV, the pipeline subsidiary of the Royal Bos Kalis Westminster Group of Holland say it has received orders during the past few weeks valued at £25m. The largest is for the completion of a gas pipeline in Algeria. Nacap has also received orders in Holland for placing fire screens and laying pipelines involving six water

crossings and a waste water pipe. Group member Oosterwijk BV of Rotterdam has received a £2m order for earth moving works in Holland. Oosthuis-Cesco, the group's site investigation and survey company has received orders worth over £1m for hydrographic and soil investigations in various countries.

British group members Rock Fall Company of Glasgow, Westminster Offshore and Land and Marine Construction both of Bromborough, Merseyside, have obtained orders worth over £5m. Land and Marine has an order to build 297 houses in Liverpool while Rock Fall has been awarded a contract to prove coal deposits in mountainous and difficult terrain in Scotland.

## Seepage stopped by a sealant grout

WATER SEEPAGE, which has affected the Prudential Building, Cambridge, over the past few years, has been stopped by a new sealing and grouting system. Waterguard, marketed by geotechnical specialists, Ground Engineering. Initially, the building's basement suffered from minor seepage which was overcome. It recurred later and increased during the 1976 drought. The owners attempted to divert the water flow along existing drains. This solution proved troublesome because of the high mineral content of the water caused recurring blockages. The first step by Ground Engineering was to find where the water was leaking into the building. Then, while the basement continued to be used by

the occupiers, holes were drilled through the retaining walls at regular intervals and the Waterguard system, which uses a silicate-based grout, was pressure-pumped through the wall to form an impervious skin between the wall and the water-soaked ground. The same process was used to provide a waterproof blanket underneath the floor. Thus unlike most other sealing techniques which attempt to seal the actual cracks, Waterguard forms a waterproof, chemical and pressure-resistant barrier outside the porous wall. It is also compatible with traditional construction materials and is safe to handle. Ground Engineering, 14 Regent Street, London SW1Y 4PJ. 01-930 0320.

New bridges for Bath and Cardiff. Work on another bridge over the River Avon in Bath which will link the A4 and A36 roads has also just begun. The bridge is to have steel plate girders with a composite in situ reinforced concrete deck slab of 40 metres span. Abutments and wing wall will be supported on steel "H" piled foundations. The contract, which includes the construction of 285 metres of road is valued at £375,000 and is for Avon County Council. Under a contract with Westsex Water Authority worth £130,000 the company is to carry out improvement works to Ladden Brook near Iron Acton. Construction of the pumping station and channel works will start soon.

## £4m to Manston

CONSTRUCTION contracts worth more than £4m have been won by Manston (Contractors Industrial) for work to be undertaken in Leeds, Sheffield, Bradford, Wigan and Nottingham. Just under £1m, is the supermarket and petrol station project for William Morrison at Wigan. Other work here includes warehouses, offices and external works, the largest being for a 100,000 square feet unit for Leigh Estates which will be let at Benyon Park, Lowfields Road, near Leeds United football ground. Developments also include a scheme for City Square Securities, Nottingham and for Glyben, Leeds. Warehousing and offices are being built for T. W. and H. Clarke at Bradford and two major schemes are underway for Percy Bilton at Tinsley adjoining the M1. A further scheme is under construction at Castle Donnington near the East Midlands Airport. Design and building of a major extension to the premises of J. Rivlin, electrical wholesaler, is being undertaken. Also received by the company is a contract for British Road Services at Scunthorpe.

## Sound will give tide levels

REMOTE measurement of tidal ranges by ultrasonics can be carried out with the Type 1856 tide level developed by Strain-stall. For port operators, the offshore construction industry and researchers, continuous indication of the tide level is made readily available at any suitable point remote from the instrument's location; while lack of moving parts means that an absolute minimum of maintenance can be combined with a high degree of reliability and accuracy. Heart of the system is a transducer mounted at the top end of an 8-inch diameter PVC stilling well. The latter has a damping inlet at the bottom end to eliminate the effect of wave motion and is easily mounted in any suitable vertical position on the structure under study. A simple plug-in lead carries the transducer signal to a read-out unit which may be located up to 50 metres away. Should data be needed further

## Control of water quality

YORKSHIRE Water Authority has awarded a contract worth about £1.4m to William E. Farrer (a member of the Moss Engineering Group) for water pollution control mechanical and electrical plant. This is part of a scheme to modernise and refurbish the biological filters at the Authority's pollution control works at Esholt which serve Bradford and surrounding areas. Comprising 35 rectangular units installed in an area of 21 hectares, the existing biological filters contain 140 water-wheel-driven travelling distributors which were installed in the early 1950s. It is intended to replace the equipment with the same number of electrically driven distributors with modern control equipment.

## Estimates hours of daylight

JUST PUBLISHED is a Building Research Establishment report, Availability of Daylight, which is intended to help designers make more accurate estimates of the number of hours for which artificial lighting is needed in buildings. It is post free in the UK at £4.70 from Distribution Unit BRE, Garston, Watford.

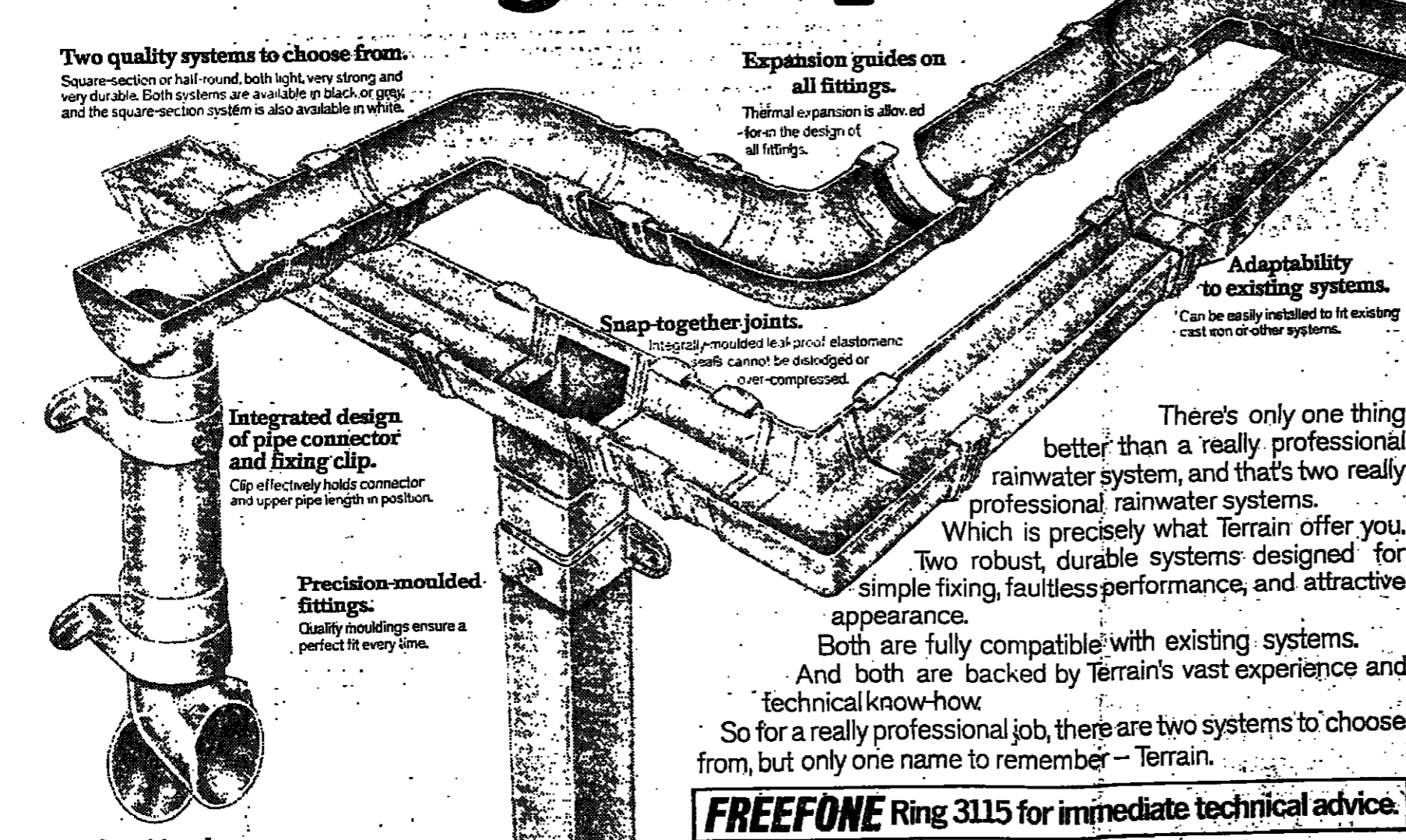
## £2m awards won by B. B. Kirk

B. B. KIRK (Constructions) a member of the Charles Hill of Bristol Group, has been awarded contracts totalling over £2m. They include work for the North West Water Authority for extensions to Colne Sewage Works costing £968,000 extensions to Ilkeston Sewage Treatment Works for Severn Trent Water Authority value £738,000 and two small sewerage schemes for the Craven District Council and the Ribbles Valley Council totalling £150,000. Construction is soon to commence on two factories for the English Industrial Estates in Lancashire at Erby and Haslingden. Value of this work is £275,000.

## Foundation service by GKN

INCREASING USE in the building industry of new lighter materials with increased strength has necessitated the use of lower capacity piles in foundation schemes, says GKN Keller Foundations of Ryton, Coventry, in launching its new mini-pile system. This allows piling to be carried out on previously inaccessible sites, and also on sites which have severely restricted headroom. Able to work with a minimum headroom of 4.5 metres, the system caters for piles of 180 mm to 305 mm diameter, offering load characteristics from between 150kN to 360kN. The mini rigs are said to function in very confined spaces - the smallest can be manoeuvred through gaps as narrow as two metres.

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## Materials for plastics window frames

CLAIMING to be one of the fastest growing manufacturers of plastic raw materials in the UK, Winstar is associated with the British Steel Corporation, National Coal Board and Norway's major industrial organisation, Norsk Hydro A.S. Extrusion production and marketing of the components for the system is a joint venture between W. H. Smith and Sons (which is responsible for extrusion development) and H.I.S. (Aluminium).

## PLANT & MACHINERY SALES

- Description Telephone
- ROLLING MILLS  
20in x 30in x 330 h.p. Two High Reversing Mill.  
5in x 12in x 10in wide variable speed Four-High Mill.  
3.5in x 8in x 9in wide variable speed Four-High Mill.  
10in x 15in wide fixed speed Two High Mill.  
10in x 12in wide fixed speed Two High Mill.  
6in x 16in x 20in wide Four-High Mill.
  - CUT/LENGTH LINE 1,000 mm x 2 mm.
  - CUT/LENGTH LINE 750 mm x 3 mm.
  - CUT/LENGTH LINE 400 mm x 3 mm.
  - WIRE FLATTENING & NARROW STRIP ROLLING MILL, two stand by r/wf.
  - SPLITTING LINE 920 mm x 10 ton coil by Cam.
  - SPLITTING LINE 300 mm x 1 ton coil by Cam.
  - SPLITTING MACHINES 36" and 48" by Weybridge.
  - 350 h.p. REVERSING MILL, 20in x 30in rolls. Farm 4 x 2m.
  - PLATE SHEAR 4ft x 1in Cincinnati.
  - GUILLOTINE 8ft x 0.125in Pearson.
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  - VACUUM FURNACE 100 kw. Herdikerhoff.
  - AUTOMATED COLD SAW, non ferrous. Noble & Lund.
  - WIRE DRAWING MACHINE 8 BLOCK (16in). Arborg.
  - WIRE DRAWING MACHINE 6 BLOCK (22in). Marshall Richards.
  - ROD DRAWING MACHINE 9 DIE. Barro. And spooler max. inlet 10 mm.
  - HORIZONTAL DRAW BLOCK 36in. Farmer Norton.
  - BAR & TUBE REELING MACHINE (2in). Platt.
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Investment Banking	01-236 1474	
International Arbitrage	01-236 9625	

Telex Numbers: Wire Transfer 887902 Arbitrage 887905



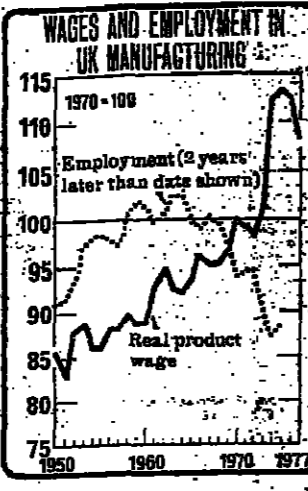


LOMBARD

Wages or jobs—the real choice

BY SAMUEL BRITTON

THE "Phillips curve," which asserted that there was a stable tradeoff between money wage increases and jobs, stirred up a great many emotions in its time. In the U.S. it was regarded as a doctrine for radicals, implying that higher levels of employment could be obtained if only policymakers would tolerate a little more inflation. In the U.K. it was regarded as a conservative doctrine stating that inflation could be overcome at the expense of just a little more unemployment.



WAGES AND EMPLOYMENT IN UK MANUFACTURING. Employment (2 years later than date shown). Real product wage.

On either interpretation the Phillips curve is pretty well dead. The idea of a stable long-run relationship between money wages and jobs could not survive the past decade of stagflation when both money wages and unemployment soared together. It would now be widely accepted that there is little long-run relationship either way. There may be a temporary tradeoff, but it may go in either direction and is inherently unstable.

But it is important not to throw out the baby with the bathwater. There is a relation between wages and jobs, but it is real wages and not money wages that matter, and the line of causation runs not from employment to wages, but from wages to employment. The higher the real wages, everything else being equal, the lower is employment. Thus, if real wages are too high, workers will price themselves out of jobs.

It will be seen that the explosive rise in real product wages in the late 1960s and mid-1970s was associated with a dramatic drop in employment. The fall in real product wages in 1975-77 has been associated with a modest employment recovery. There remains the question of why the much gentler rise in product wages in the 1950s and earlier 1960s did not hit the employment in the way the later increases did. My own suggestion, slightly different from the Midland author's, is that capital stock increased so quickly in relation to the labour supply that the market-clearing real wage was pulled upwards. In the present situation why do not employers prevent real product wages from rising excessively by raising final prices? In the U.K. they are inhibited from doing this by the high exchange rate. But this can hardly explain why real wages have risen so fast as to produce unemployment in the Western world as a whole—if this is what has happened. We still lack a general theory of employment.

There are four other runners in today's line-up: Rathdowney, Majestic Maharaj, Palm Island and Man Ahve. But it is difficult to see the finish net developing into a straight fight between the remarkable Sea Pigeon and the classic pretender. There is now little doubt that this year's second season performers are above-average and although Brian Taylor's claim that "apart from Troy there is not three-year-old in the country who could beat Trotter" may be a little sweeping, the colt should win here. This chestnut son of Busted landed the Queen's Vase with ease. Third into the home straight at Ascot the West Isles colt, a son of that high-class 10-furlong mare, Albany, was sent for home a furlong

WHEN THE House of Commons on Thursday debates the restoration of the death penalty the arguments are likely to focus on the events of the past 14 years since abolition. The growth in the absolute number of murders, the incidence of death from terrorism, the problems facing the prison service with an accumulated population of life-sentence prisoners totalling about 1,500 and the political and social climate that surrounds the issue today as opposed to the era of the abolitionist movement that gained strength since World War II—all these are central issues that will occupy the speeches of MPs.

Such a penalty need be no less of a threat. Were death sentences, or other extremely unpleasant penalties, awarded for shop-lifting or dangerous driving, for example, they could probably be shown to be very effective. The nature of punishment for crime is not an irrelevant consideration; but the really important question is the relationship between legal standards and subjective assessments of unpleasantness. At what point does severity of punishment start to take effect, even when the chances of detection are low? Or put conversely, what level of punishment is sufficient to deter when chances of detection are high, as they are in murder cases? Where certainty of detection is high, there is some evidence that severity of penalty has an independent deterrent effect. The problem is that the point at which this relationship varies with the nature of the offence and the offender's motivation. But the existence of the most severe penalty may actually reduce the certainty of its imposition. Juries are less likely to convict if they do not feel the death penalty ought to be imposed.

The restorationist might argue that the death rate would have been even lower had capital punishment been available as an additional instrument for the control of terrorism. It is one can positively gaily state that a severe practical consideration that militates against the return of the death penalty. Ever since 1973 the trial of terrorists has been before a single judge. Part of the price of establishing the Diplock courts and taking away the right of jury trial was to remove the risk of hanging an innocent man. Were the death penalty to be restored in Northern Ireland, the demand for a jury would be very strong. And it is relevant to note that the introduction of majority verdicts in jury trial in England

after 1967 was made more palatable by the absence then of the death penalty. Any return to that penalty would presumably have to be accompanied by a provision for unanimous verdicts in murder cases. This would present an untidy aspect of the criminal law. There is also the question of whether, nowadays, with much younger jurors brought up in a society that did not prescribe the ultimate sanction for murder, they would so readily accept the consequences of bringing in guilty verdicts. The attitude of juries, too, cannot be over-looked. Nearly 90 per cent of the High Court judges are post-1965 appointees. While every judge would loyally perform his judicial duty in passing the sentence prescribed by law, there would be a majority of unhappiness among a party to a practice that, for reasons of humanity and decency, had been dispensed with in our civilised criminal justice system. If the judiciary as a whole would not welcome the return of the death penalty, likewise the prison service would not respond willingly to the task it would have to perform. The only business of taking a man to a scaffold is not a feature of a view over recent years that prisons are for humane containment of the prisoners, sent

there. Destruction of only a handful of human lives sits uneasily with a service that has prided itself on increasing professionalism. A new generation of prison governors and prison chaplains, not to mention a high proportion of prison officers, feel that the abolition of the death penalty 14 years ago was one of the few brighter aspects of a prison system that has been constantly in a state of crisis. Even if the vote on Thursday is to be in favour of restoration of the death penalty—and all the predictions are that there will be—a small that they will not return to it, there will still be the further hurdle of legislation to reintroduce the penalty into the law. Almost all the advocates of a return accept that there would need to be a distinction between heinous murder, for which the murderer would be liable to the death penalty and other murder cases that would be subject to the lesser penalty of life imprisonment. But the experience of the Homicide Act 1957, that sought to make just such distinctions, was not a happy one. That experience led Lord Parker, the Lord Chief Justice, to become almost unenthusiastic about the death penalty. The Royal Commission on Capital Punishment in 1959 concluded the subject of a question distinguishing between degrees of murder is chimerical and that to be abandoned.

THE WEEK IN THE COURTS BY JUSTINIAN

Buttress looks sound

THIS AFTERNOON at Ascot, Buttress sets out on the second leg of a three-race St. Leger preparation which so nearly paid off with Le Moss a year ago. The Warren Place colt proved a worthy winner of last season's Tennent Trophy, holding off Sea Pigeon, a neck following a hard race in the Queen's Vase the previous month. Today Buttress joins the fray for the Tennent Caledonian Breweries race with a three-length victory, under 5 lbs more than Le Moss in that same Royal Ascot event behind him. However, the Queen's three-year-old today meets Sea Pigeon on his worse than weight for age terms and clearly has a stiffer task against the Easterby nine-year-old on that scale compared with Le Moss who was taken on the veteran on 11 lbs better terms. There are four other runners in today's line-up: Rathdowney,

from the British by Caron. Lengthening his stride impressively he quickly asserted overwhelming superiority over Olympus whom he was meeting on 8 lbs worse than weight for age terms. If it was the case with Buttress and several of his offspring, Buttress is only now in the second half of his three-year-old season, beginning to show his best. There is no doubt that the St. Leger target is far from out of reach. I expect the Queen's colt to put himself firmly in that classic picture with another comfortable victory.

RACING BY DOMINIC WIGAN

- 1.00 News. 9.25 Royal International Horse Show. 10.45 Dame Edna Everage, her Agency and Ecstasy. 11.20 The Devil's Music. 11.55 Weather/Regional News. All Regions as BBC1 except at the following times: Scotland—9.30 am. Magic Roundabout. 9.55 Jeckerson. 10.10 Don and Pete. 10.15 Hong Kong Phooey. 10.35-10.55 Take Hart. 5.55-6.20 pm Reporting Scotland. 11.55 News and Weather for Wales. 5.55-6.20 pm Pili Pili. 6.55-7.20 pm Wales Today. 6.55-7.20 pm Heddiw. 11.55 News and Weather for Wales. Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 pm Scene Around Six. 11.55 News and Weather for Northern Ireland. England—5.55-6.20 pm Look

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THE WEEK IN THE COURTS

THE WEEK IN THE COURTS BY JUSTINIAN

ENTERTAINMENT GUIDE

Entertainment Guide listing various theatres, operas, and radio programmes. Includes sections for Opera & Ballet, Theatres, TV/Radio, and Cinema listings across different regions.

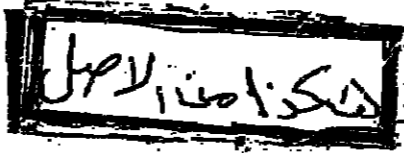
F.T. CROSSWORD PUZZLE No. 4022

Grid for crossword puzzle No. 4022 with numbered squares for words.

- ACROSS: 1 English order finds entrance in Scotland (8). 3 Leave without resource—it's just a yarn (6). 10 Oriental gets like a Scot (5). 11 Included in the register though evidently not upright (2, 3, 4). 12 Hither way repairs when it is in (4, 5). 13 A place to eat in Germany (5). 14 Eruptive wine-bowl (6). 16 Custom includes thanks for an abode (7). 18 Writes for Time initially in islands, west or east (7). 20 Presides with the cleaners about one (6). 22 Let it turn to a mark of distinction (5). 24 What pleases the golfer may lead up to a stately home (4, 5). 25 Complex form of antic rite (9). 26 A political party has one excuse for failure (5). 27 Fashionable endeavour about to finish (6). 28 Wherein quatorze juillet falls (8).
- DOWN: 1 Famous Head gets by with everyone inside (6). 2 Health includes a fitter set in action (9). 3 Blown away on the screen (4, 4, 3, 4). 4 One foot is enough for this racehorse (7). 5 Two great races—one with sex discrimination (3, 5, 3, 4). 7 A sign that is found in Roman art (5). 8 Set off for appointment about the college (5). 9 Sailor in southern church needs a stiffener (6). 10 "His teeth I've enacted shall all be extracted by amateurs" (Mikado) (9). 11 Region where Diana is over-rogous (8). 12 Ruler seen last month in the stick-bag (6). 13 Formerly in the Diplomatic Corps, an Oriental prepares to yield (7). 14 Business makes me start a row (6). 15 He follows the bird for a share (5). The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.







THE ARTS

Theatre Upstairs

Marie and Bruce

by MICHAEL COVENEY

Wallace Shawn is an American actor and playwright whose work is known in the UK...

beauty of Mr. Shawn's writing, but also by the technique in Marie's abuse. Bruce takes all that on the chin, but is compelled to action near the end...

There is a lot of faecal imagery in Marie's abuse. Bruce takes all that on the chin, but is compelled to action near the end...

Architecture

Sheer aesthetic pleasure

by COLIN AMERY

The Architectural Association School of Architecture was described in a recent letter as the Financial Times as the oldest, largest and best architectural school in the world.

What does shine through this show is that the AA staff and students are concerned, not to produce a new manifesto for strategy for the future of architecture, but to re-examine architectural values.

The interaction of form and meaning. Eric Parry and Philippe Ariès show designs for a city Necropolis that crystallise dramatically the return of symbolism and monumentality to urban architecture.



Thomas Yang and Ann Dieckie in "Celebration"

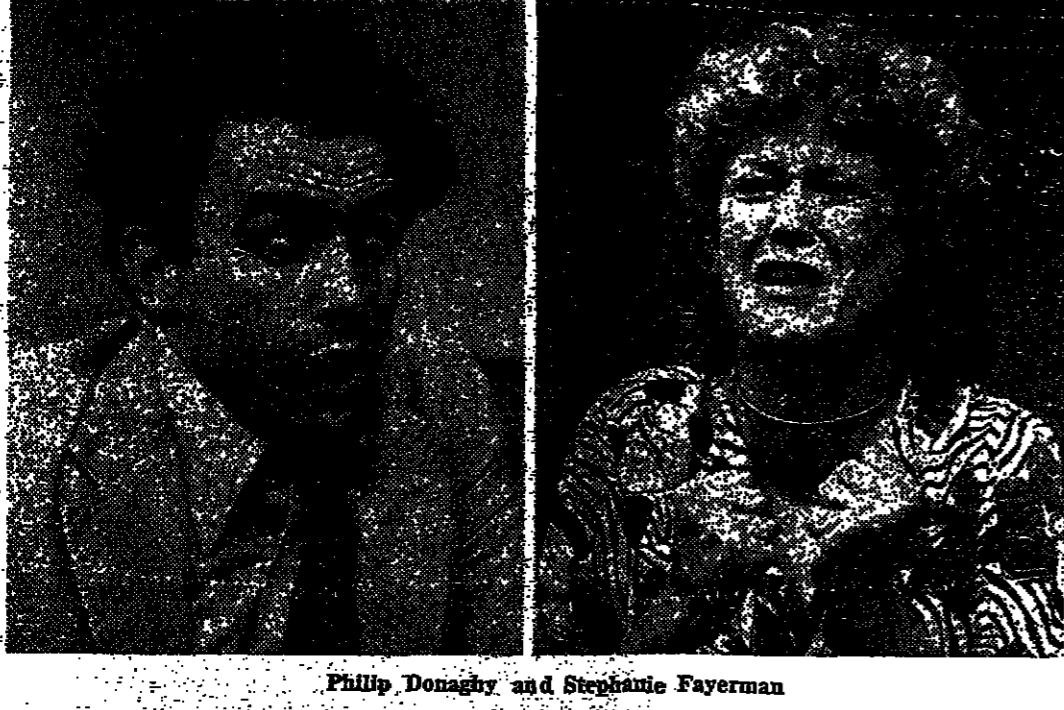
Sadler's Wells

Night with Waning Moon

by CLEMENT CRISP

The worst thing about Christopher Bruce's new ballet, given its first performance at the end of last week, is its programme note, which ascribes such modish virtues to Columbine as early championing of women's rights and a fondness for reading.

cast reappear cloaked before departing as the timeless beauty of Callot's drawings of the commedia dell'arte.



Philip Donaghy and Stephanie Fayerman

Round House

Prometheus

by B. A. YOUNG

The Round House auditorium has been cleared of its circle of seats to give more room to the Living Theatre for their production of Prometheus.

figures (built from wire and exhibited on the heads of male nudes) that gave birth to the elements. The text, not all audible because of the eccentric way it is spoken, chanted or sung, is accompanied by movement, though clearly it takes, as W. S. Gilbert said, a deal of training.

less trouble raising a score of volunteers from a rather scant house than he had in Dublin. Cast as Red Guards, terrorists, Bolsheviks, Anarchists, pacifists, women and actors, they were able to move freely all over the house once their rehearsal was over.

Berliner Theatertreffen

Women, women, women

by RONALD HOLLOWAY

Perhaps it was only a coincidence, but all the productions in this year's Berliner Theatertreffen, the annual round-up of the season's most significant productions, deal with women: three versions of Sophocles' Antigone (in Friedrich Hölderlin's translation) from Frankfurt, Bremen, and the Schiller-Theater Berlin; Schiller's Maria Stuart from Bremen; Lessing's Emilia Galotti from the Burgtheater in Vienna; Thomas Braesch's Lovely Rita from the Werkstatttheater of the Münchener Kammerspiele; and Botho Strauss' Gross und Klein (Big and Little), featuring the "station-in-life" of a woman named Lotte, at the Schaubühne am Halleschen Ufer in West Berlin.

critics on the jury will have to give evidence of seeing every-thing in search of the best. As it is now, the only criticism that applies is window-dressing. The one production that weathered the critical storm was Nicolas Briegleb's Maria Stuart (Bremer Theater) a Schiller without exaggeration or technical pomp but respect for speech and ensemble acting. In contrast to the mutilation of Sophocles, this was both a pleasure and a relief.

an obsession at the Schaubühne am Halleschen Ufer. The Robert Wilson production of his own Death Destruction and Detroit, "a play with music in two acts," was conceived (and written) with the current Schaubühne experimentation phase in mind.

St. Bartholomew-the-Great, EC1

Suoraan

by DOMINIC GILL

The penultimate concert of last week's well-intentioned but fragmentary festival of 20th-century music at St. Bart's was given at luncheon on Saturday by the English ensemble with the Finnish name of Suoraan.

I am not entirely convinced that the poems (a perennial problem for composers) do not nonetheless stand more powerfully alone, unadorned — but these sections were an intriguing foretaste, perhaps when the other parts are finished they will more clearly justify the whole.

Finnisey gave a very good, strong performance of Brian Ferneyhough's little set of Epigrams for solo piano—whose quick, hard lines and austere colouring the acoustic also lent an unusual bloom. Vinko Globokar's playing on the trombone of his own Atemstudie is a bodily tour de force, compelling in its massive physical presence and concentration.

CRICKET

BY TREVOR BAILEY

Gower has the mark of greatness

WELL BUILT, a graceful, almost languid mover, good-looking with slightly delicate features and considerable personal charm, David Gower has all the characteristics needed for the juvenile lead in British plays of the 30s and 40s.

played well, Boycott intense and committed, reaching his century with sheer hard work, Gosh strong and imperial, and Botham powerful and boisterous, none made batting look as easy as Gower with his relaxed stance, flowing backlift, and full follow-through. He is a touch player, who caresses the ball to the boundary, but, because of his timing and style, obtains power which enables him to beat deep-set defensive fields.

Gower's double century was his highest score in first-class cricket and ended a comparatively lean spell. Oddly, his record for his county has not been very fruitful this summer. Leicestershire have been vital in Gower's development by giving him an early opportunity to play first-class cricket under Ray Illingworth and encouraging him to go for his shots from midway in their batting order.

with the first innings artificially restricted to 100 overs. On a plumb pitch the opportunities of a No. 5 are liable to be limited in domestic cricket. When Gower went to the crease at Edgbaston, 71 overs had already been delivered. In a county game this would have meant that his innings would have had a maximum of 29 overs.

TENNIS

BY JOHN BARRETT

Britain now faces tough tie in Italy

GREAT BRITAIN yesterday completed a 4-1 win against Spain at Eastbourne in their first Davis Cup match of the 1979 campaign. It earned them a zone final against Italy in the second week of September, presumably in Rome. The Italians converted their overnight lead from two rubbers to one against Hungary and will start favourites to win for a sixth time since the war against Britain.

two Spaniards on Saturday. The British pair came together for the first time last September against Czechoslovakia. In that tie, also played at Eastbourne, and against Australia in the semi-final at the Crystal Palace in October they won decisively to build a 3-0 winning lead. The sheer enthusiasm and dynamic vitality of David Lloyd is the factor which opponents find so difficult to tame. He seems to inspire Cox to a level of consistency that, at 36, he does not always now command.

facing players involved in a dead rubber. Throughout, Lloyd was trying—but without the surge of adrenalin produced by a need to win, he was missing the last shot of so many rallies by a small margin. When he led 4-2 in the third set there was a lack of urgency about him that allowed a smile or two at the vociferous Spanish students. Hutchins would doubtless have preferred a firm British win for he was conscious of the gamble of selecting Lloyd in the first place. The No. 2 Briton had won only singles matches since beating John Alexander last October in the semi-final. But the important thing is that he did win against Orantes and win handsomely. Moreover, he had worked as never before during the previous two weeks and had reached a peak of mental and physical fitness for the occasion.

courts. The date of the tie follows immediately upon the U.S. Open championships which, since last year, are played on a fast, cement-type surface. The fact that Britain have never beaten Italy since the war will not deter this united team—for it is unlikely that Hutchins will change the squad next time. To have all four players involved—two in singles and others at a doubles pair—is ideal for the Davis Cup. It was the foundation for Britain's successful run in the 1930s when Perry and Austin shouldered the singles responsibilities and Hughes and Tuckey played the doubles. After reaching the Davis Cup final last year for the first time in 41 years it would be great to believe that the same team could go one better this year, and recall those glorious years of the 1930s. But Adriano Panatta and Corrado Barazzutti, the likely singles men, and Paolo Bertinucci, who will probably play doubles with Panatta, will take some beating, particularly in front of the noisiest and most partisan supporters in Europe.

£3,000 and gold medal for young trombonist

The winner in the national final of this year's Shell-London Symphony Orchestra music scholarship is Ian Bousfield, aged 15, from York. He wins a gold medal and £3,000. Ian, who was the Manchester finalist, is still at school and plays the trombone.

LSO's 1980 tour

The London Symphony Orchestra is being sponsored with £100,000 by American Express for a tour of America and Canada next year. The 19-day tour will be part of the orchestra's 50th anniversary celebrations.



البيان المالي

## Arab Banking and Finance

It seems likely that, in the wake of this year's oil price rises, Arab financial institutions will play a more important part than before in directly disposing of the OPEC surplus. But it is difficult to make predictions about the spending pattern of the oil states as priorities alter and the inter-Arab financial system develops.

THE YEAR 1979 is likely to go down in the economic history of the Arab world as a watershed. The five-year period that began with the 1973-74 oil price rise effectively drew to a close in 1978 with the OPEC States' annual payments surplus down to about \$11bn, compared with \$85bn in 1974, and the revolution in Iran providing a grim warning of the dangers of explosive economic growth.

Iran's revolution has been the main factor in propelling the oil price up by about 60 per cent on average by the middle of the year and giving the OPEC States (almost exclusively the Arab ones) a current account payments surplus that in dollar terms seems likely to be not far short of that of 1974.

Because of the wide variety of prices now being charged for oil and the different dates on which they come into effect, the calculation of the 1979 surplus is a highly complex business. The consensus of preliminary estimates appears to be in the region of \$40bn.

### Similarities

The post-1978 era seems likely to have only a few similarities with the 1973-78 period. Both as a percentage of OPEC's revenues and in real terms, taking inflation into account, the 1979 surplus will be of a much smaller order than that of 1973-74, when revenues jumped from \$28bn to \$106bn. The more lurid fears about the

OPEC surplus that were aroused in 1973-74 proved unjustified and the world banking system seems likely to be able to absorb the surplus as smoothly as it did the "last" time. This time, moreover, Arab financial institutions seem likely to play a rather more important part in directly disposing of a large part of the Arab OPEC surplus than they did before.

Plenty of questions remain to be answered, however. Whereas the post-1973-74 surplus was gradually run down as the Arab states' spending increased and subsequent increases up to the 18-month freeze ending this year provide full compensation for loss of purchasing power, the OPEC countries may well be able to obtain even higher earnings, producing increased surplus revenues. At the same time it is rather more difficult to make predictions about the Arab oil states' spending even in the immediate future, and to what extent it will increase in response to the greater revenues available.

Economic commentators expressed surprise at the fast rates at which the OPEC countries managed to increase their spending to match their new revenues in the wake of the 1973-74 price explosion. While it was not surprising that Nigeria and Algeria should have slipped relatively quickly into deficit, it was hardly expected that Saudi Arabia would overstep its official revenue of about \$40bn by \$20bn in the 1978-79 financial year, nor that states such as Abu Dhabi should slow down

development as they saw spending growing at a dangerously faster pace than revenue.

Often it was forgotten that countries like Saudi Arabia and Libya had large and legitimate development needs. The inflationary escalation in the cost of implementing projects, as well

as the wasteful extravagance and high spending on armaments was not fully appreciated. The erosion of the oil states' purchasing power was faster than had been expected. It seems clear that most of the Arab OPEC states want to avoid any repetition of the economic explosion which followed the 1973-74 price rises, mainly because of the social disruption it caused. They will also be cautioned by the example of Iran from pressing on with too rapid a transformation of their countries by fast development.

Saudi Arabia, Kuwait, Abu Dhabi and Qatar will be the main contributors to the OPEC accumulated surplus, their pension fund, which is largely invested (for lack of alternatives) in the West. Investment within the Arab world remains

several of the poorer Arab States, and the institutional problems in amending laws and practices to make it possible, it is remarkable how much investment has been absorbed—particularly by Egypt, Jordan, Tunisia, Sudan, Morocco and North Yemen.

With Arab aid running at about \$5bn a year, the majority of its remaining inside the Arab world, the poorer Arab countries can expect continued economic development, opening up more opportunities for investment. Militating against the healthy development of these States' economies is the manpower drain of both brain and brawn to serve the richer Arabian States.

In a sense progress towards it has been slow, with at least one country, Syria, which was previously considered a promising outlet for investment, now generally disregarded. Yet considering how relatively new the concept of investment from outside is in

mean that while project aid to existing schemes will continue, balance of payments support should cease. The sums Egypt received by virtue of being a confrontation state are being diverted to Syria, Jordan and the Palestine Liberation Organisation as a result of last

November's Baghdad summit. An Arab institution which is adding a new dimension to Arab concessionary aid operations is the Arab Monetary Fund, based in Abu Dhabi. Designed to function broadly on the lines of the IMF in the Arab world, it is gradually building up its strength. Ultimately it will have capital of about \$1bn but so far not more than about \$250m has been paid up. The AMF has allowed five countries to exercise their right of drawing down 75 per cent of their shareholding when they have payments deficits, and the AMF is soon to consider its first extended fund facility — for Sudan.

It hopes to improve its scope for investing unless funds by putting them directly into Special Drawing Rights. Recently it made news by an-

nouncing that it would have no more financial dealings with Canada as a result of the Canadian plan for moving its embassy in Israel to Jerusalem. The AMF's decision is believed to have had only minimal effect since so little of its funds were invested in Canadian assets or

ment to syndicate a \$500m loan for China. Yet for all the oft-reported fast growth of these and other Arab institutions, the majority of Kuwait's and Abu Dhabi's surplus is invested by western financial institutions. The Abu Dhabi Investment Authority has more than two dozen portfolios operated by British, U.S., German, Swiss and French and Japanese concerns. Kuwait relies more on its own institutions, but many of its property holdings and a large portion of its equities are handled through western banks. Saudi Arabia's Monetary Agency relies almost entirely on non-Arab institutions to handle its investments.

At the end of last year the four Arabian states' accumulated surplus totalled about \$110bn, of which Saudi Arabia held \$59bn, Kuwait \$36bn, Abu Dhabi and the UAE Currency Board \$12bn, and Qatar \$8bn. The AMF can be regarded as one part of a growing inter-Arab financial system. Arab banks and financial institutions now play a far bigger role in handling Arab funds than they did before 1973-74. Institutions like the National Bank of Abu Dhabi and the Abu Dhabi Investment Company have rapidly become very important in the Euromarket as managers of co-managers of loans and Euro-bond issues. The six-state Gulf International Bank has quickly established its presence in the Euromarket, while naturally in Kuwait the three big investment companies—the three Ks—play major roles. The various consortium banks involving western partners — including UBAF, BAFI, Frab Bank and European Arab Bank—are energetic. UBAF recently secured agree-

ment to syndicate a \$500m loan for China.

By contrast Bahrain has had to compete harder for business and has made a success of its offshore banking centre, which is both part of the international money market, acting as a window mainly for the Arab private sector surplus, and is an important intermediary in the Saudi, and to a lesser extent, Kuwait banking scenes. Bahrain, not being a capital exporter, has been less successful in bond operations, and the Bahraini Dinar bond market seems dormant. The ups and downs of the relationship between Bahrain, Kuwait, Abu Dhabi and Saudi Arabia are described more fully in this Survey, but all these poles in the Arabian financial system seem well able to coexist.

Only two cities in the Arab world can claim to be financial centres on any scale—Kuwait and Bahrain. Neither Cairo nor Amman yet serves more than its local market, and Beirut is still awaiting stable conditions. Kuwait provides the most sophisticated range of services in the Euromarket, though it was only last year that the first top quality borrowers came to Kuwait. The market has been affected by sharp interest rate fluctuations, though the secondary bond market is developing. The relatively slow rate of innovation in Kuwait is mainly the result of a degree of complacency, stemming almost inevitably from enormous

wealth, and from restrictions preventing foreign institutions operating there. By contrast Bahrain has had to compete harder for business and has made a success of its offshore banking centre, which is both part of the international money market, acting as a window mainly for the Arab private sector surplus, and is an important intermediary in the Saudi, and to a lesser extent, Kuwait banking scenes. Bahrain, not being a capital exporter, has been less successful in bond operations, and the Bahraini Dinar bond market seems dormant. The ups and downs of the relationship between Bahrain, Kuwait, Abu Dhabi and Saudi Arabia are described more fully in this Survey, but all these poles in the Arabian financial system seem well able to coexist.

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### Manpower

The interdependence of the Arab financial centres is part of the wider economic interdependence of countries in the Arab world. This has been strengthened since the 1973-74 watershed less by trade than by the flows of aid and investment from the rich countries of the Arabian peninsula to the poorer Arab states, and by the flow in the reverse direction of skilled and unskilled manpower. The greater financial resources the oil states will acquire this year should enhance that interdependence, and provide further incentive for the not-unattainable goal of a unified Arab capital market.

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# The dictates of Islam

Arabic text: الجارية الإسلامية

ALL ACROSS the Moslem world, but especially in the Arab States and Iran, a new banking and finance system is being established to operate alongside the established commercial banking system. The new system is based on the dictates of Islamic economics, which prohibit interest, interest payments on either deposits or loans. It has started offering a range of financial services that is virtually as broad and flexible as that of existing commercial banks, including bonds, certificates of deposit and current accounts. There are plans for a safety net linking the individual Islamic banks to a central Islamic bank which would be financed by the 41 States of the Islamic Conference.

## Applications

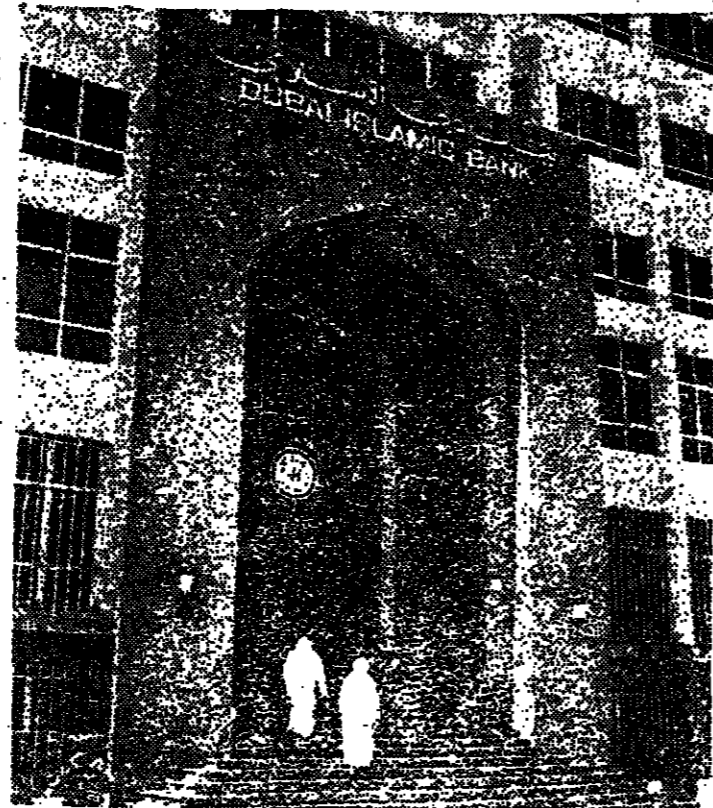
The Secretary General of the IBA, Dr. Ahmed el Naggar of Egypt, told the Financial Times that he has recently received applications to help establish 13 more new Islamic banks in different countries. Three applications have come from Pakistani banks that are supposed to be "Islamicised" their operations this year. The seven members of the IBA are discussing a plan to establish an Islamic Bank in Luxembourg, to operate internationally and to act as the main correspondent bank in Europe for the Islamic banks scattered throughout the Moslem world. The Luxembourg-based bank would be owned by individual shareholders as well as by the Islamic banks themselves. Another move that is being discussed, according to Dr. el Naggar, is to have the Jeddah-based Islamic Development Bank act as a true central bank to the separate Islamic banks, with "organic links" among them to form an integrated international network of Islamic banks.

The Islamic Development Bank (IDB), since opening its doors three years ago, has committed itself to finance 53 different projects in 34 of the 41 countries that make up the Islamic Conference. Also working on the Islamic principle of profit-sharing, the IDB has spread out its financing with roughly one-quarter for development projects, one-quarter as equity shareholdings in new companies, and one-half to finance finance foreign trade. It has even established an Islamic Dinar which is conceptually exactly equal to one Special Drawing Right.

The IDB does not charge interest on its loans, though it charges a service fee on its heretofore profitable deals such as infrastructure, sugar and takes a share of the profit of the projects it finances. In the case of trade financing, it uses the same commercial system as the smaller Islamic banks that finance small-scale commercial deals for individual merchants. This is known as the "murabaha" system.

Murabaha works on the following basis. If, for example, Algeria needs to buy fertiliser from Jordan, but does not have the cash to pay for it, the IDB will pay cash to Jordan and Algeria will receive the fertiliser immediately. The IDB and Algeria will agree on a fee for the IDB for forwarding the cash, which is usually determined on a per unit basis, for example, one or two dollars per ton. When Algeria generates profits from the fertiliser, it passes the profit to the IDB. Under murabaha, a bank depends on the merchant making a profit in order to be repaid. If the merchant does not make profit and goes out of business, the Islamic bank shares the loss. In other words, Islamic banking strikes a fair balance between the value of capital and the value of human effort and initiative than does conventional commercial banking. Naturally Islamic banks are careful in choosing their clients.

The basis for Islamic banking and the prohibition of interest is the belief of the Moslem that capital itself should not generate a profit without any human effort being exerted. To guarantee a financial gain against a loan of money, as is done with interest-bearing deposit accounts or interest-charging commercial loans, is what the Islamic bankers call "riba" and it is strictly forbidden according to the Koran, the Islamic Holy book.



strictly forbidden according to the Koran, the Islamic Holy book.

This is usury to Moslems, and the Koran deals with the matter rather firmly, as stated in the following Koranic quotation: "They who return to usury shall be given over to the fire; and therein shall they abide forever."

Under the "Mudaraba" system, otherwise known as profit sharing, Islamic banks lend capital to an industrialist, for example, with the agreement that the bank will receive a certain fixed percentage of the profits of the project being financed by the loan. This means that the bank stands to make a large profit if the business is particularly lucrative, or conversely, it could share the losses if the new venture proves a financial failure.

According to Dr. Sami Hammad, the Jordan Islamic Bank's managing director, this is the vital social component of capital and the entrepreneurs establishing a new company. This promotes a balance between the value of capital and the value of human endeavour.

The Islamic banks now operating provide a full range of normal commercial banking services. Credit provision and trade financing are done on the profit-sharing basis, while transfers, foreign exchange, checking accounts and other non-credit services are provided on a commission or fee basis. This is allowed by Islamic law because the fee is paid for a service that involves a real exertion of effort—or work—on the part of the bank.

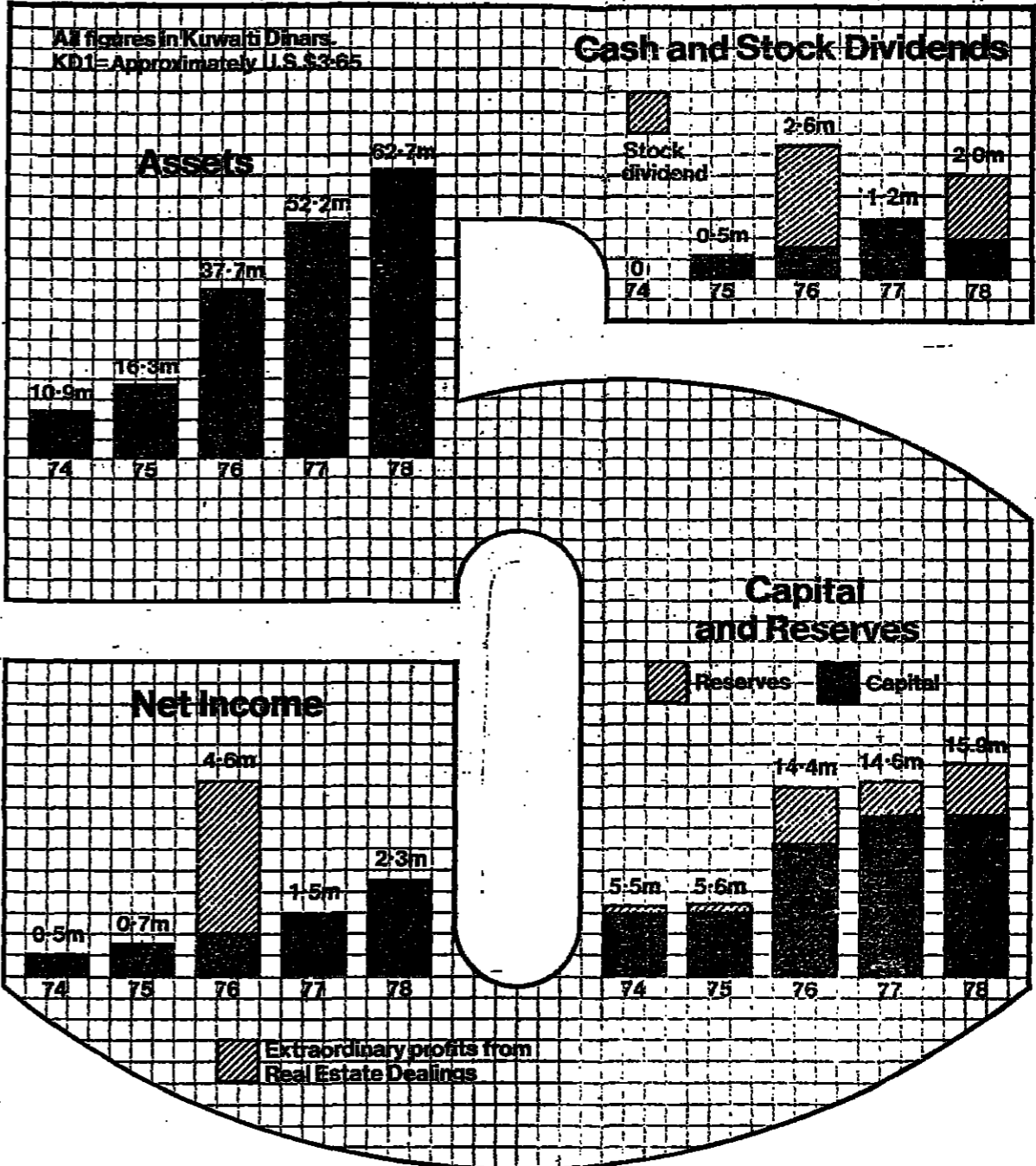
New services being provided by Islamic banks include "income bonds" and Islamic Certificates of Deposit which also work on the profit-sharing basis. Some Islamic banks, such as the new one being opened in

Teheran, do not aim to make a profit, but only to cover their operating expenses. Others, such as the Jordanian or Bahraini banks, strive to pay their shareholders a dividend and their depositors an annual profit that will make them competitive for deposits with commercial banks.

Some of the banks promise to grow into substantial institutions. While the first Islamic banks that were opened in Egypt on a local level in the early 1960s remained focused on neighbourhood and city-wide operations, today's Islamic banks are bigger and broader in their scope. Some of them are starting with capital of nearly \$50m or more. The Nasser Social Bank of Egypt, one of the oldest Islamic banks, boasts a balance-sheet total of over \$150m. The Islamic Development Bank has a subscribed capital of about \$1bn. In most cases the banks are owned and operated by the private sector, with governments taking only minority shareholdings in some cases.

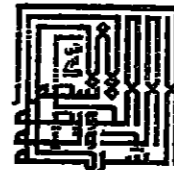
The banks all operate on the same basic profit-sharing principles, but their terms vary in some cases. Some banks only accept deposits of six months or more, others insist on one year, while others still will take one-month deposits to encourage business during their first year of operation. Some banks also have a minimum deposit amount such as the KD1,000 minimum for Kuwait's Islamic Bank, known as the Kuwait Finance House, which attracted 3,000 accounts in its first two weeks of business earlier this year. It reckons that depositors will receive the equivalent of a 6 per cent return on their deposits, which is also what the Jordan Islamic Bank expects. After a few years Jordanian Islamic bankers expect a 10 per cent return on investment.

Rami G. Khouri



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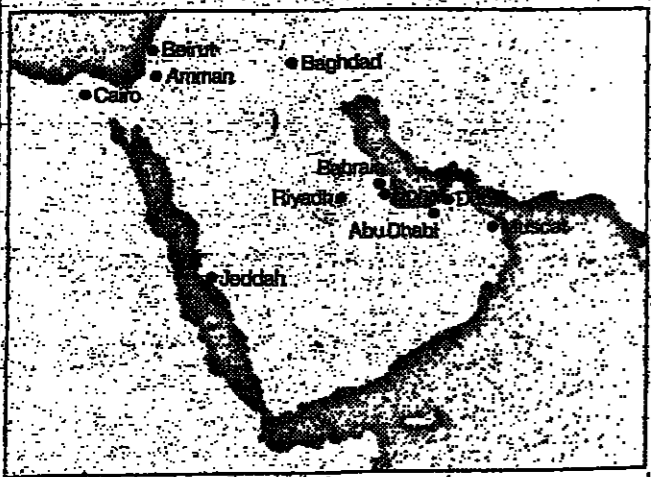


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## Gulf

CONTINUED FROM PREVIOUS PAGE

This strong personal favour in Gulf banking has been a major contributing factor in the establishment of locally-owned banks. The large Kuwaiti banks, in spite of their capitalisation and shiny premises, remain in essence personal organisations of groups of Kuwaiti businessmen.

All save one of Bahrain's 18 banks in 1978 made a profit, even though the volume of business conducted by a majority of them was small. One reason for their profitability is certainly the fact that a smaller volume of business means that a high degree of personal service can be assured.

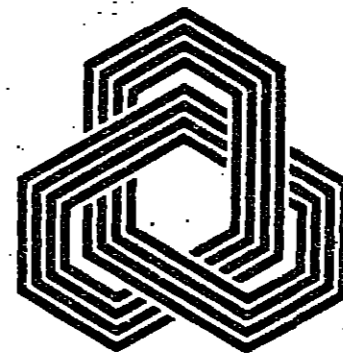
In no Gulf country has the personal element in banking practices been allowed to develop and flower more than in the United Arab Emirates. Outsiders and formally trained central bankers may scoff at the fact that there are 52 banks with more than 400 branches in the seven states which make up the UAE, and mutter about "the world's most over-banked country". The stricture has much less force in local eyes.

First, the UAE is not really one country; rather, it is seven separate business communities. Within each business community there are in most cases a number of sub-communities of merchants. Each of these smaller groupings likes to have its own bank.

The fact that there may be considerable social capital, as well as some financial profit, to be made out of setting up one's own bank in company with a few fellow merchants in the environment of the UAE, strengthens the argument rather than weakens it. In the small communities of the UAE, with their well-developed mercantile traditions and the strong personal flavour of business life, depositing one's capital in one's own bank makes a great deal of sense, no matter how strange it may seem to foreign eyes.

Probably a more compelling reason why Gulf banks do not foreclose is that to do so would be completely at variance with the nature of banking in the Arabian peninsula.

John Townsend



## The Financial Symbol of Arab Co-operation

The Arab Petroleum Investments Corporation, APICORP, is an inter-Arab company established within the framework of OAPEC with the aim of investing Arab money in petroleum projects and in the activities complementary or related to them in the Arab World.

APICORP extends loans to projects seeking financing and it may partake in the equity of these projects. It is also empowered to initiate joint projects that supplement existing Arab Petroleum industries with the aim of serving the Arab market as a whole.

Countries in which APICORP has participated in loans and/or Equity financing include Algeria, Bahrain, Egypt, Jordan, Libya, Morocco, Qatar, Tunisia and U.A.E. Projects financed or under study cover the sectors of oil refining, natural gas liquefaction, oil fields injection, petrochemicals, fertilizers, tankers, drilling, detergents, catalysts, synthetic fibres and synthetic rubber.

During 1978, APICORP managed, co-managed and arranged project linked loans and bond issues totalling SR2957m (\$896m). Net profit for the year was SR63m (\$19m). Net assets as at 31st December 1978 were SR1346m (\$408m). Project investments as at the same date totalled SR402m (\$122m).

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البنوك العربية

# Hurdles face regional investment

**THE KENANA** sugar project in Sudan is now a reality. Due to start production at the end of the year, it will help make Sudan a sugar exporter to the Arab world. Everyone who visits the site, 180 miles south of Khartoum, is deeply impressed by the scale of the project and the relatively short time it has taken to create so much from nothing.

Kenana represents both the best and the worst about intra-Arab investment. The bulk of the money and loan capital has been provided by Arab State and private investors, Arab aid funds and by a pan-Arab investment concern, the Arab Investment Company. In a region where projects are talked about more often than they are implemented, it is one that is now being brought to fruition in the face of the considerable difficulties of operating in Sudan.

The fact that Kenana is running nearly two years behind its original schedule and that it is, at about \$90m, costing more than five times the original estimate, is only partly the responsibility of the Arab investors. For them, the scheme often has been a nuisance, constantly requiring more finance and raising nagging doubts about its viability.

Yet the investors—mainly Kuwait and Saudi—have hardly

allowed Kenana a smooth ride. Funds have almost invariably been paid up late, putting Kenana in a poor bargaining position on contracts; restrictive powers have been made for cumbersome decision-making; and the shareholders have not always turned up for the meetings where their presence was required; if binding decisions were to be made.

Kenana has been a valuable but chastening experience in the somewhat patchy history of intra-Arab investment. The investment of the oil States' financial surplus within the Arab world is an ideal which they all believe in, in order to do away with these unsatisfactory relationships that have made us a mere source of finance for countries "stronger" than our own, as Mr. Abdul Rahman al-Azidi, the Kuwaiti Finance Minister, and a leading proponent of intra-Arab investment, has said.

Given the strength of pan-Arab feeling, these theoretical can be no wrier or safer place for the rich Arab States to invest than in other Arab countries; and since the 1973-74 oil price rise, a substantial amount of the oil States' surplus has been invested in other Arab countries though the amount is dwarfed by the proportion invested in the

West.

There is a fair degree of disillusion both in the richer and the poorer Arab States about intra-Arab investment in practice. The rich States complain about the poor States' lack of receptiveness to investment; they claim that legislation designed to attract investment is in practice often complicated and contradictory; that investment projects are either deliberately or unintentionally held up by bureaucratic obstruction; and that schemes which have cleared these hurdles prove difficult to get under way because the physical infrastructure in the poorer countries is often so weak.

## Revived

A lot of these problems reflect genuine difficulties in the poorer Arab States. The concept of investment and private enterprise has had to be revived after years of socialism in countries like Egypt and Syria, which has meant reversing attitudes and overcoming entrenched positions—a process that can take years. There may often be some resentment in the poorer countries at the "nouveau riche" investors of the Gulf.

The investing countries do not always seem prepared for

the difficulties; frequently accustomed to relatively simple portfolio investments in the West or to high returns on property and other business ventures at home, they are not used to the hard slog of investment in other Arab countries which may often yield only small profits. The best local manpower in the oil rich States tends to be involved in banking and money management; far fewer people have experience of project management, and with good manpower generally in short supply there is little incentive to acquire it.

At the end of the decade during which intra-Arab investment has got under way on a large scale it is possible to draw up a kind of league table of investment outlets in the region. Apart from the Gulf States themselves, Tunisia, Jordan and Morocco, with their relatively efficient administrations, their unambivalent attitude to private enterprise and their convenient size and compactness, come at the top, and are now absorbing a relatively large amount of investment.

In the second division comes Sudan, where investment is officially welcome but is hampered by low administrative efficiency and the weak transport system; North Yemen, where a surprising amount of investment is going ahead despite serious political instability; and Egypt, where investors were beginning to overcome the problems of the colossal bureaucracy before President Sadat's peace treaty with Israel.

Syria, once thought of as a bright prospect for the Arab investor, has virtually dropped out of the league table altogether. Investors have become disillusioned with what they regard as the failure of the Syrian bureaucracy to match the promises that the Damascus Government has given. The Kuwait Real Estate Investment Consortium, which invests in property around the Arab world, has closed its office in Damascus.

In view of the difficulties the amount of investment that is actually going ahead is impressive, even taking into account the fact that intra-Arab investment tends to be publicised, while investment in the West usually is not. Apart from private property holdings by rich Arabs in such countries as

Egypt, Lebanon and to a lesser extent Syria, the main fields for intra-Arab investment are property, hotels, transport construction and agriculture. Alongside the glamorous schemes involving large State investment corporations are a number of more discreet joint ventures often just involving one or two rich Gulf Arabs and a local partner.

As yet it is too early to say what effect the Baghdad sanctions will actually have on investment in Egypt, which has probably absorbed most Arab investment in absolute terms. But the indications are that just as there is no question of cutting off aid for projects already in progress, so investment projects will continue and may well absorb more funds than before as they grow in size.



Aerial view of the Kenana sugar factory, the biggest project of its kind in the Middle East which opened in April this year

The most active State in investing in the rest of the Arab world is Kuwait. Relatively small Kuwaiti investors have financed property deals in the lower Gulf (alongside some larger institutions) and they often own property in Egypt, either for their own use or primarily as an investment. But most large-scale investment outside the Arabian Peninsula is in the hands of a few large Kuwaiti concerns whose ownership overlaps.

The most important is the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) whose KD 25m capital is now 85 per cent Government-owned. KFTCIC manages the portfolios of other clients, mainly the Government, in addition to handling its own funds. It holds and manages the Government's substantial stake in the Kenana Sugar Company, where it has been an active and often critical shareholder. It is responsible for Kuwait's stake in the Samed pipeline in Egypt. In Sudan it also has active subsidiaries in livestock, road transport and construction, while it has an investment company in Egypt which is involved in several joint venture projects.

KFTCIC also has joint venture projects in Morocco, Mauritania, Jordan, Oman, Syria and Iraq, within the Arab world. It has a stake in the Kuwait Real Estate Investment Consortium (KREIC) in which the Ministry of Finance and other State and privately owned Kuwaiti institutions also have

holdings. KREIC has schemes under way, or is attempting to get them going, in Egypt, Morocco, Tunisia, Saudi Arabia and North Yemen. For a variety of reasons, it has given up trying to operate in Syria, Sudan and Jordan. It occasionally faces problems because property investment in foreign countries can often arouse a special kind of jealousy.

state that is as outward-looking as Kuwait is Dubai (in the UAE) but it concentrated on investing at home rather than abroad.

Again, both the UAE and Saudi Arabia have big private involvement in Egypt, mainly in property, but there are also a number of other joint ventures in such fields as transport and road haulage, while there is a similar pattern of joint ventures in Sudan. Prince Mohammed bin Faisal of Saudi Arabia has an agricultural project at Damazin in Sudan which is gradually building up in size.

## Hiltons

Other companies with big investments in the Arab world include the Kuwait Hotels company which has stakes in Hiltons in several Arab cities including Khartoum, and Artoc, which has a number of operations in different countries. Gulf Fisheries has a small stake in Kenana and has a number of other interests in Sudan, as well as investments in property and Meridian hotels in different countries. There are Kuwaiti investments of one kind or another in all Arab countries identified except Algeria, though involvement in Iraq and Libya is minimal.

Other oil states cannot really match the Kuwaitis for the scope and sophistication of their investment in the Arab world. Both Saudi Arabia and the United Arab Emirates began to have large financial surpluses much later than Kuwait and each has had, at least until recently, ample investment opportunities at home. The only Gulf

to get under way until Saudi Arabia joined in 1977 and boosted its capital. It now has 18 members and with a capital of KD 21.5m can provide insurance cover for direct investment, loans, portfolio investments and construction equipment against the risks of confiscation and nationalisation, transferability of funds and the possibility of war and revolution. It is also moving into export guarantee insurance to help nascent Arab exporters.

With most of its operations in Egypt the IAIGC has not expelled Egypt from its membership. By the end of last year the IAIGC had issued KD 20m worth of guarantees, and expected to fulfil its quota of KD 17m this year, being allowed to go up to KD 107m (five times capital) over a five-year period. A major constraint on the IAIGC is its small capital and the fact that no guarantee operation can exceed 20 per cent of its capital. This means that it can only go up to KD 4.3m in its coverage of any one project (though it can insure part of a project). The IAIGC has been relatively slow to catch on but is now trying to sell itself more vigorously. The main problem is that it cannot offer protection against bureaucratic delay and obstruction, which often masks political opposition, and is one of the worst constraints on intra-Arab investment.

James Buxton

## No centre

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the western offshore banking units (OBUs) in Bahrain had been borrowing KDs cheap to buy dollars. Evidence suggests that the OBUs were in good company—none other than the Kuwaiti houses and many private individuals were doing exactly the same thing.

But the quality of the borrowers tapping this sector has improved, the latest arrival being a prime Japanese company, Mitsubishi Heavy Industries. The volume of bonds has also risen though it is not yet clear whether last year's record volume will be bettered in 1979.

The secondary market, meanwhile, is developing but much still rests on the shoulders of the Arab Company for Trading Securities (ACTS), which

remains the only real market maker in KD bonds. As the number of holders of KD bonds slowly grows, especially outside the Gulf area, the number of market-makers is bound to increase. Less than 50m of KD denominated bonds are believed to be held outside Kuwait.

In Bahrain, the emphasis remains on foreign exchange activities. The Bahraini-dominated bond market has been dormant for the past 12 months; there has not been a single issue. Bahrain is constrained by the behaviour of neighbouring Kuwait, which has taken steps to ensure that the OBUs are no longer in such a strong position to borrow KDs and lend them back to Kuwaiti

borrowers. In addition, as the number of new contracts for building in the area tend to shrink, the opportunities for financing diminish.

The increase in oil revenue this year is unlikely to improve prospects very much. While the heavily capital-absorbing countries will be able to increase spending rapidly, the lower capital-absorbing countries (Kuwait and Qatar in particular) now perceive little value in attempts to keep spending up at a high rate as their economic planners, encountering various development constraints, are uncertain about investment in new industries.

Francis Giles

ARAB BANKING AND FINANCE VI

SAUDI ARABIA

# Caution over riches

WHEN TWO weeks ago Saudi Arabia announced its intention of raising output above the official ceiling of 8.5m barrels a day for its main fields, the reason given was that it needed finance for its development programme.

The explanation seemed designed to placate other members of the Organisation of Petroleum Exporting Countries. The prime motive, it was assumed, was to stabilise the new price structure set last year. The fact is, however, that the Kingdom is very cautious in appraising its riches in relation to long-term development.

It is difficult to make any predictions about the income or the surpluses of any OPEC member. For Saudi Arabia this is particularly so because it is not known whether it will produce at 8.5m b/d for any period of time beyond the third quarter of 1979, regardless of the chances of a further upward revision of prices next year. But at the basic price of \$18 per barrel for Arabian Light, the rate of 8.5m b/d from the main Saudi fields alone would give a revenue of rather more than \$50bn in 1979-80. In addition, there is the income from the Neutral Zone fields, sales of natural gas liquids and the added value of products refined at Ras Tanura.

Total oil revenue for 1979-80 should verge on \$60bn even if there is no further price increase and the Kingdom reverts after the third quarter to the 8.5m b/d limit imposed on the Arabian American Oil Company's output. As it happens, total Saudi expenditure for the fiscal year that began last in May has been set at SR16bn (\$4.7bn) to which must be added another SR29.7bn (\$8.75bn) in respect of autonomous public agencies.

In effect, appropriations more or less cover anticipated oil revenue—which was estimated before the recent price increases. Last year it covered 36.9 per cent of the total with the balance coming from income from foreign assets, customs dues and taxes on foreign companies.

In announcing the new Budget the Ministry of Finance and National Economy issued a statement revealing expenditure to have exceeded revenue in 1978-79 by SR14.25bn (\$4.27bn). The deficit, it was said, was made up from the State General Reserve although it is not clear whether this involved drawing upon any of the Kingdom's foreign assets.

Thus, against all expectations, Saudi Arabia in the fourth year of its 2nd 1976-80 Five Year Plan—that was originally scoffed at by many commentators as ambitious and grandiose—was in deficit. By then spending of about SR 40bn would have approached the targets of nearly SR 50bn set out in the development programme. Inflation was very much higher than the 16 per cent factor built

into the plan's projections but nevertheless the performance has been impressive. Over the past two years Saudi revenue and expenditure have come into balance in a remarkable way. Since the 1979-80 budget was drawn up, the price of the Kingdom's main variety of crude oil—at the floor of the two-tier price structure agreed upon last month in Geneva—has risen by 23 per cent.

At the best of times and in all respects the Saudi Government is profoundly cautious. The official line is still that in the long-term the Kingdom is not a surplus state and in the long term all excess revenue will be required for the Kingdom's development. Nevertheless, despite the size of accumulated foreign assets that amounted to at least \$58bn at the end of 1978 policy has been to cover expenditure from current revenue. After four years of substantial but falling surpluses in the wake of the 1973-74 price explosion, the Kingdom seemed almost alarmed to find itself in equilibrium.

Saudi Arabia remains a habitually cautious state. However, in the foreseeable and probably indefinite future—it will not suffer any liquidity problems. Despite its ability to absorb and the enormity of its hydrocarbon-based industrialisation plans, together with the associated infrastructure, the prospect once again is for a steady increase in the Kingdom's accumulated surplus. Its present nature and deployment is discussed in detail in the article on surpluses on Page 2.

### Rash

It would be rash to predict how long and to what extent Saudi Arabia will remain a surplus state of its present proportions. For the time being it remains a passive monster, on the world's financial markets despite the size of its official reserves which are handled by a host of intermediaries under SAMA's direction.

Policy is opposed to the interest nationalisation of the Saudi rial, though it is now one of the currencies making up the I.M.R.'s SDR basket. At the same time the pricing of contracts in riyals has created a market for the rial that has been a major pre-occupation of Bahrain's off-shore banking system.

As a capital market, Saudi Arabia is still at a very embryonic stage. SAMA took the initiative in 1975 in establishing the London-based Saudi International Bank which is now in its third year of operations and took a 50 per cent stake in it. The 2½ per cent shares held by the National Commercial Bank and the Riyad Bank give overall Saudi majority control while the balance of the equity is owned by foreign partners. The main objective was to gain experience in the international markets and SIB is in

no way a vehicle for the exploiting of surplus Saudi assets, public or private. Faced with the demand for riyals and the challenge of Bahrain, SAMA allowed the Riyad Bank to set up an OBU joint venture with Credit Lyonnais and has authorised the National Commercial Bank to start operating there. For its part, the latter has begun to finance among the Arab institutions leading and co-managing syndicated loans and Eurobond issues.

However, SAMA has discouraged foreign rial issues—preferring to limit them to Arab governments or state-sponsored institutions while insisting that Saudi banks should be involved in co-management and contribute at least 50 per cent of the funds.

SAMA has also facilitated the borrowing of riyals within the Kingdom itself—but only on the assurance that the credit is used solely in the country. Increasingly, Saudi banks have been engaged in the syndication of performance bond and advance payment guarantees for international undertakings in Saudi Arabia.

The commercial banks have also begun in a small way to extend medium-term loans for projects within the country itself.

In this respect SAMA recognised a gap in the market by giving the go-ahead for the establishment in 1976 of the Saudi Investment Banking Corporation, which is 65 per cent nationally and 35 per cent foreign-owned. Set up as a merchant bank it is now operating successfully but has so far failed—as was the intention—of acting as a catalyst for the creation of other financial institutions.

As far as finance for internal development in the private sector is concerned, the Saudi scene has in the past few years been very much dominated by the Saudi Industrial Development Fund and the Real Estate Development Fund, both offering credit with only a 2 per cent administrative fee and concessionary repayment terms together amounting to substantial subsidies.

Since it started lending operations five years ago SIDF would have committed more than SR10bn for industrial projects and SR15bn for electricity generation, the bulk of which has been disbursed. From its foundation in 1974 to the end of 1978 the Real Estate Development Fund charged a mere 2 per cent on easy repayment terms, worth no less than SR 33.8bn.

The "Saudiisation" of the banks operating in the Kingdom—a goal long pursued by SAMA—has now all but been achieved with only details of the agreement with Citicorp waiting to be finalised. Over the past few years the British Bank of the Middle East, the Banque de l'Indochine, the General Bank of the Netherlands, the National Bank of Pakistan, the Banque du Liban et d'Outre Mer and, finally this summer, the Arab Bank have all conceded 60 per cent local industry ownership and accepted Saudi boards of directors, while continuing to run operations under management contracts.

Apart from creating a stronger capital base the result should be a more rapid extension of the banking system outside the main urban centres to the rural areas.

For a country that had almost no banking system 25 years ago the expansion has been remarkable and orderly, under tight supervision by SAMA. The business of the commercial banks remains predominantly retail with trade accounting for rather more than a third of credit advanced and construction more than a quarter.

Last year claims on the private sector rose by 42 per cent to SR 14.4bn, a rapid growth compared with the marginal rise of the previous year when a squeeze was applied. Demand deposits grew by 39 per cent to SR 27.9bn. Foreign assets were up 40 per cent at the end of last year to SR 13.58bn—rather more than double foreign liabilities. In commercial banking terms, too, Saudi Arabia is very much a surplus state.

Richard Johns

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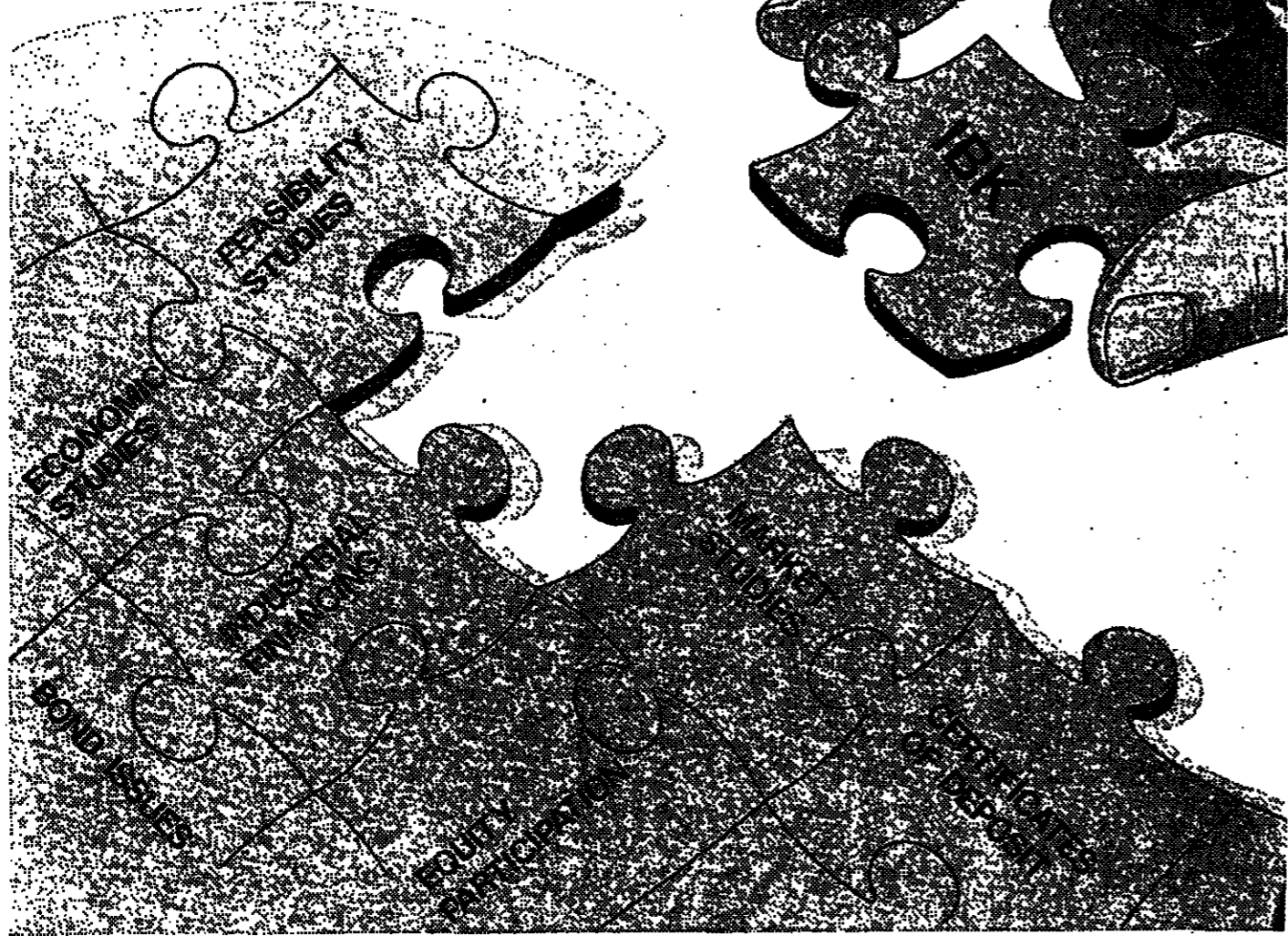
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## KUWAIT

# A danger of complacency

THOUGHTFUL KUWAITIS considering the future of their State—the world's richest per head of population—express concern at the ever-growing money mountain in their midst. In no sector is this concern about the future more justified than in commercial banking.

The State's six commercial banks, flush with liquidity and on paper numbered among the world's richest banks, are entering a period in which profitable lending opportunities, both domestic and international, seem likely to be scarce. The world at large is unlikely to move out of its economic recession, especially after the latest OPEC decisions and in any case Kuwait as a financial centre is facing competition from Bahrain's offshore banking sector and potential competition from Saudi Arabia.

Kuwait's bankers and finance managers have long prided themselves on their prudence, caution and conservatism. It is possible that these classic banking virtues may have bred a certain complacency, and that the erstwhile mercantile fair of Kuwait bankers is taking second place to a belief in bureaucratic controls. Yet the average Kuwaiti investor finds it difficult to believe that all is not for the best in the best of all Kuwaiti worlds. Conditioned to the presumption that Kuwaiti banks and financial institutions are leaders in the Arab world, the Kuwaiti investor sees the 1978 profit of the National Bank of

## BANK AL JAZIRA

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# ARAB BANKING AND FINANCE VII

## BAHRAIN

### Intense activity

OF ALL the Arab states Bahrain has probably shown the most imagination and drive in developing as a financial centre. The amount of financial activity centred on this little island is out of all proportion to its financial resources (it is the region's smallest oil producer) and the size of its economy.

The initial aim of the offshore banking units (OBUs), which started operating in late 1976, and are at the core of Bahrain's international financial operations, was to attract the cash surpluses of the neighbouring oil States. The accumulation of surpluses in Arabia suggested that there was room for an offshore financial centre about halfway between Singapore and London, and Bahrain was an obvious place for it because its communications are so good and the island's educational base is relatively high.

The package which the Bahrain Monetary Agency (BMA) set before bankers was so simple that it covered only one side of a sheet of paper: banks could set up a full branch without corporation or personal taxes or exchange control. They were only forbidden to handle personal or corporate accounts and other forms of financing for local concerns and individuals (except with the BMA's permission).

There are now 50 OBUs in operation in Bahrain and they handled assets totalling about \$22.75bn at the end of May, 1979. Bahrain is not really an outlet for the official surplus of

the oil States, little of which technically comes to the Gulf, but it handles the surplus of the private sector in the oil States, especially that of Saudi Arabia—last year to the tune of about \$12bn.

But about a quarter of the OBUs' business is in local currencies, primarily the Saudi riyal and to a lesser extent the Kuwaiti dinar. Because of the rigidity of banking practice and regulation in Saudi Arabia and Kuwait, the OBUs have taken local currency deposits and have made local currency loans to customers in these countries—such as construction companies in the Kingdom which need riyals to pay their subcontractors and labour force.

#### Rivalries

This is the aspect of the OBUs' operations that produces the most excitement and the most difficulty, partly because of the underlying political rivalries of the region, partly because of the movement of the dollar and partly because of the limitations of the regional currencies.

The supply of these currencies is dictated largely by the spending of the governments of the major oil States—Saudi Arabia, Kuwait, Qatar and the UAE—a great deal depends on the rate at which they convert the dollars they receive for their oil into local currencies, since the private sector of these countries needs

to convert their local currencies into dollars to pay for imports. If Saudi Arabia is slow in spending its revenues, as it has been intermittently over the past year, this can cause shortages of riyals which affect Bahrain.

A riyal shortage occurred last November when the rise in the dollar after the Carter stabilisation measures coincided with the chaos engendered by the move by the Saudi Arabian Monetary Agency (SAMA) from Jeddah to Riyadh. The OBUs face intermittent problems with the Saudi riyal and as the currency represents by far the most important part of the OBU's regional currency operations and about 20 per cent of total business, the fear lurks in Bahrain that SAMA could at any time completely alter the rules of the game under which Bahrain's OBUs operate.

But the two indigenous Saudi banks—the National Commercial and the Riyad—are now both represented in Bahrain: the former opened in May and has become very active in the market—and this gives Saudi Arabia an additional reason for wanting to see the OBUs prosper. Whether the Saudisation of all the banks in the Kingdom, which involves a big increase in their capital, will enable them to match more of the facilities the OBUs provide remains to be seen.

The OBUs also ran into complications with Kuwait last winter. The November, 1978, dollar package combined with the nervousness of the region

about the troubles in Iran caused extra demand for dollars. The supply of local currencies did not match the demand for dollars and short-term interest rates shot up as KDs became short.

The Central Bank of Kuwait chose to interpret this as evidence of the unhealthy activities of the OBUs and redefined liquid assets for the Kuwaiti banks to include deposits of up to one month and decreasing that these were to be kept in Kuwait. This was rather a blow to the OBUs, while some bankers in Kuwait have privately regretted the move as further reducing their flexibility. Though Bahrain bankers have suggested that Kuwait has been trying to put them out of business, more thoughtful recall that KDs in Bahrain last year only accounted for about 4 per cent of total assets.

Crucial to the success of the OBU operation is great care in the choice of banks which are licensed, especially as there no reserve requirements and rules are few. The BMA insists on granting licenses only to top quality internationally known banks, and it keeps informed of their goings on through monthly reports and word of mouth, which is not difficult in Bahrain.

With the higher oil price spending in the Gulf should pick up again. The indications are that the setbacks to Saudi riyal and KD business at the turn of the year have been absorbed and the OBUs' assets which stood at \$23bn at the end of 1978 have pulled up from the \$22.35bn level to which they later dropped.

The coming of the OBUs has brought to Bahrain some of the other features of a financial centre—such as money broking operations and, less spectacularly, development of Bahraini bond issues.

Service industries are beginning to rank alongside oil, gas and manufacturing as pillars of the Bahraini economy, which is now finding the first faint signs of an upturn after recession. If, as now seems likely, the causeway across the shallow waters to Saudi Arabia goes ahead sometime next year there will be a further boost to the economy though the Government does not want to see an explosion such as that of 1975-76.

All this is moderately good news for Bahrain's 19 local banks, which have been quietly recovering from the recession. Mr. Abdullah Said, Director General of the BMA, says he anticipates a 10 per cent increase in bank lending this year with a 15 per cent increase in liquidity—compared with 13 per cent last year. But the banks will need to be careful not to repeat the lax lending control that led to the 1975-76 real estate scramble, still evident in the fact that 40 per cent of all lending is committed to the construction sector. Some borrowers find the interest payments hard to keep up and dud cheques are still quite common.

The first quarter 1979 return from the 19 banks (excluding the al-Ahli Commercial bank which only opened in December 1978) showed advances and creditors up by three per cent and money supply up by nearly the same amount. Trade showed an upturn with contra accounts up 6.7 per cent (but less than inflation). The 1978 figures show that the two locally incorporated retail banks, National Bank of Bahrain and Kuwait, held 55 per cent of the assets and made 44 per cent of the profits.

John Townsend J.B.

## Kuwait

CONTINUED FROM PREVIOUS PAGE

national KD bond market. Whereas there were only six new issues valued at little more than \$70m in 1977, there were eighteen new issues totalling KD154m (\$597m) in 1978.

This increase in business saw also an increase in the quality of borrower, with the KD10m City of Oslo borrowing being the breakthrough into the top quality league that the Kuwaiti markets have been looking for. In May this year Kuwait acquired another triple-A borrower, when a KD10m bond issue was made at 7 1/2 per cent for the Banque Nationale de Paris. This growth took place, of course, at a time when the dollar was weak.

As evidence that Kuwaiti financial institutions have lost none of their innovative flair, enthusiasts in Kuwait point to two new developments this year—the issue of credit cards by the Gulf Bank and the Commercial Bank and the institution of Central Bank bills to drain off excess liquidity. A credit card is certainly an innovation likely to prove valuable, but the issue of Central Bank bills is an admission by the Kuwaiti financial authorities that they have more money than they know how to handle.

#### Tempted

Neither the Central Bank nor the Government needs the extra money deposited with them by the commercial banks who purchase bills from the Central Bank. The bills are merely a means of finding a short-term home for liquid funds which Kuwaiti bankers might be tempted to lend through, for example, the Bahrain offshore market.

Another innovation on the Kuwaiti banking scene is the

establishment of the Kuwait Finance House, a new bank owned 49 per cent by the Government through the Ministry of Finance, Justice and Law. This bank is to operate strictly on Islamic principles. Interest will be neither paid nor charged. Borrowers will be expected to reimburse the bank with part of whatever profits they might make on transactions financed by the bank, and depositors will receive a share of the profits of the bank on its own operations.

Kuwait's financial scene has some worrying features when examined in a harder light. Although commercial bank profits are up, and the market value of the commercial banks' shares on the Kuwaiti stock exchange has never been higher, the rate of increase in banking business is falling. Bank lending, increased by 35 per cent over the previous year in 1975, in 1976 the increase was a stupendous 83 per cent. In 1977, the increase was only 27 per cent and last year was under 20 per cent.

The reasons for this decline in bank lending, which is reflected in the ever-increasing liquidity of the Kuwaiti banks, include the collapse of the development boom in the Gulf, the recession in world economic activity and the increasing lack of domestic investment opportunities in Kuwait. With investment in industry in the State mostly handled by the Industrial Bank of Kuwait, and the finance of property development through either the Kuwait Real Estate Bank or the Credit and Savings Bank, the commercial banks are left with the finance of trade and construction, plus inter-bank business.

Although the volume of credit has almost trebled since 1974,

the breakdown of lending shows remarkable stability, with the finance of trade occupying a constant 30 per cent of the total. Possibly as a result of the appearance in Kuwait of small financial consultancies, the share of credit to the financial sector is on the increase.

There is an aspect of Kuwaiti financial management policies more indicative of basic attitudes, and hence potentially more disturbing from the point of view of the State's future as an international financial centre than the attitude of the Central Bank (and hence, it must be assumed, of the Government of Kuwait) to the Bahraini offshore market. Kuwait is probably a victim of its own success in previous years. An attitude appears to have grown up among Kuwaiti bankers that they have a near monopoly of financial acumen in the Gulf. The Bahrain offshore banking development was initially regarded in Kuwait as an amateurish experiment, bound to fail. Then Bahrain's OBUs started making money at the expense of and taking business from the Kuwait banks.

In the days before they became rich the instinctive reaction of the Kuwaiti merchants would probably have been to enter the Bahrain offshore market themselves, and possibly even to dominate it. Certainly they have the resources to do so. Instead, the reaction of the Central Bank of Kuwait was bureaucratic: this year it revised its own rules to make it more difficult for Kuwaiti banks to lend money in Bahrain. A move aimed at hurting the Bahrain OBUs has probably harmed the Kuwait banks themselves rather more.

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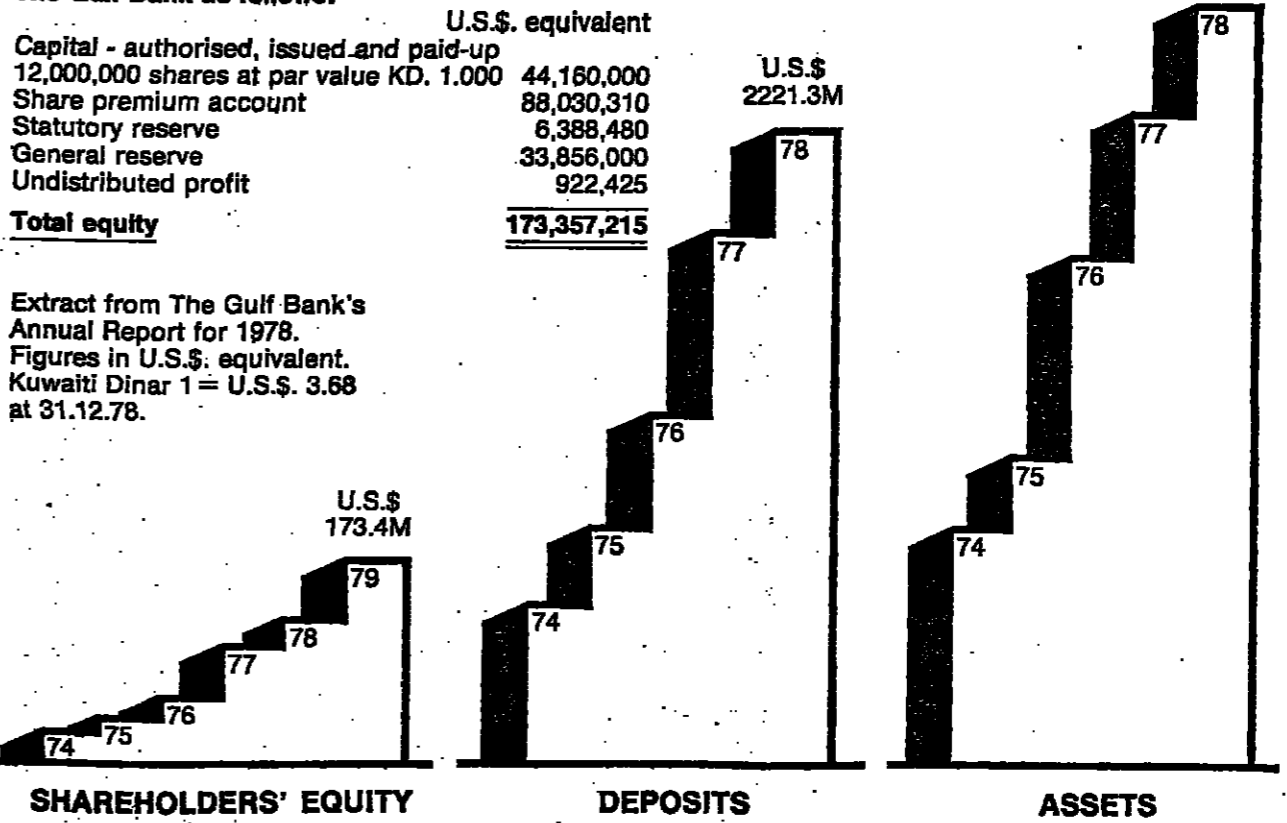
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Extract from The Gulf Bank's Annual Report for 1978. Figures in U.S.\$ equivalent. Kuwaiti Dinar 1 = U.S.\$ 3.68 at 31.12.78.



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ARAB BANKING AND FINANCE VIII

UNITED ARAB EMIRATES

Lack of cohesion

AS EVER the United Arab Emirates presents a confusing and variegated scene reflecting the great disparity of wealth among the member States...

The disparities in the UAE are all too obvious. Responsible for 80 per cent of UAE oil production, Abu Dhabi, while still carrying the greater part of the federal budget and disbursing large amounts of aid...

Sharjah's debts, estimated at \$1bn, are enormous in relation to its small and declining petroleum income. More worrying is the position of Ras al Khaimah, which has run up debts of \$500,000 but has no petroleum resources.

This year Abu Dhabi's revenue will almost certainly be in excess of \$10bn or 35-39bn UAE dirhams. At this point it is difficult to make any precise projections about the size of its surplus, which in 1978 is believed to have been rather more than \$1bn.

Its performance in disbursing development allocations has improved. Expenditure on that score may exceed the Dh. 0.7bn projected. Because of a paralysing constitutional crisis...

Whatever Abu Dhabi's outlay on this score it seems likely to generate a surplus of no less than \$4bn after aid disbursements of some \$1.25bn.

A fairly reassuring proportion of the total is said to have been lent against projects that may pay off. About a quarter is owed to foreign and local banks operating in the Emirate.

At the turn of the year Abu Dhabi assisted Ras al Khaimah with \$100m paid in three tranches to help with the State's indebtedness which, though less than Sharjah's at about \$500m, is regarded as more serious.

By mid-summer there was no sign of the bank appearing. Sheikh Zayed has had other more urgent political priorities, it is said. He may also be reluctant to save the imprudent in the other States until general agreement has been reached about the future shape of the UAE.

Paralysis on this front has also been responsible for the failure to tackle another root problem—the upgrading the UAE Currency Board to a fully fledged central bank. The crisis

of 1977, when its heavy-handed action—following a heavy reliance on the dirham—caused an acute shortage of the currency...

Almost miraculously the value of the dirham has been steady. Linked to the SDR with a margin of 2.25 per cent it was last revalued to a rate of 2.25 last year.

That was true also for most of last year of Abu Dhabi which only at the end of it year gave a much needed transfusion to gold and foreign exchange reserves which had fallen from \$24.4m at the beginning of 1978 to \$70.2m at the end of the year.

As it is, the Currency Board has been able to fulfil its minimum obligation of covering 7 per cent of the note issue and demand deposits. But as complained in a recent report its holdings "must not only be seen in terms of the legal requirement but also the level of imports and also any foreign exchange requirements of the system arising from remittances, travel, exports and the like."

Powers over foreign exchange would be given by the law drafted by the International Monetary Fund which has been gathering dust awaiting approval of the UAE Supreme Council. Another of its provisions would require a minimum paid-up capital of about \$6m that might help "for mergers, stop multiple directorships and the consequent malpractices, and help restructure the system. Establishment of a central bank is a high priority. But it would still need to be accorded the necessary political status and backing if it is to function properly.

Richard John

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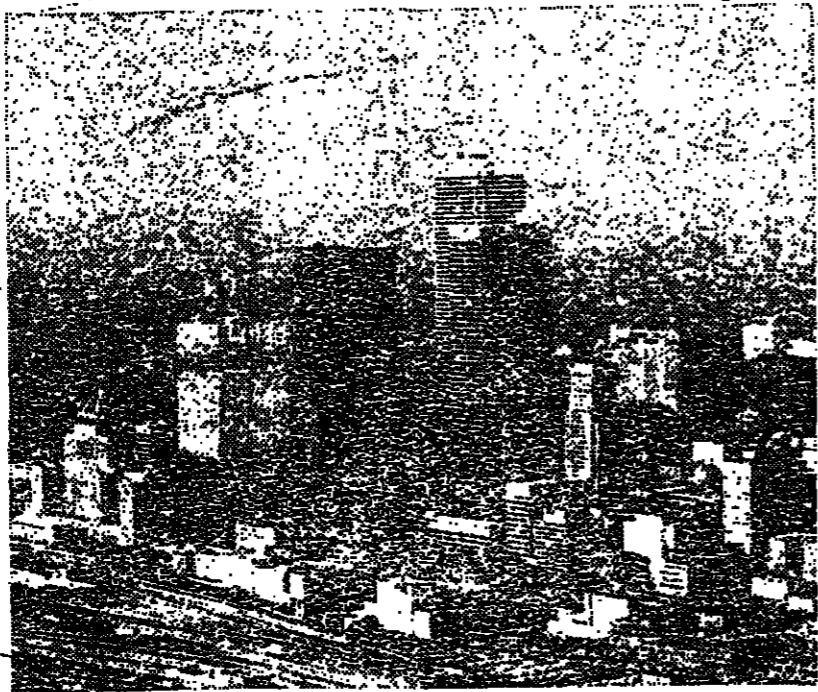
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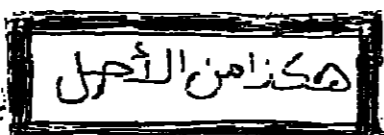
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ARAB BANKING AND FINANCE IX

ALGERIA

Shift in emphasis

THE INCOME Algeria derives from oil and gas will increase by about \$2bn this year, a figure which could prove conservative if the turmoil in the international oil markets leads to further increases in the price of crude during the second half of this year. This increase in income (last year's earnings amounted to \$3.4bn) comes at a most opportune time for Algeria's leaders and planners.

The next economic development plan is currently being drafted, having been delayed by the death of President Boumediene and the election of his successor Benjedid Chadli. Further delays are expected as there are no signs of when the ruling FLN party congress, which must approve the plan, will meet. Signs point to a continuing struggle for power among various groups within the leadership. This suggests the congress could be delayed until much later this year.

This need not necessarily worry the planners. Indeed a shift in emphasis away from the heavy industrial sector is already visible. Housing, water, food, distribution, transport, agriculture and fishing are all being allocated a greater share of the country's resources. In many major fields of activity the new plan will not add much. Where oil and gas are concerned, the State company, Sonatrach, is working on a 25-year development plan which it showed to Western bankers last year.

The most notable feature of

the past six months is the agreement reached between Sonatrach and El Paso to raise the price of the liquefied natural gas (LNG) which the U.S. company imports from Algeria in the framework of a contract known as El Paso 1. From July 1 the price of gas delivered to El Paso has risen fourfold to \$1.15 per million British thermal units (BTU). El Paso's customers have agreed to the increase but the agreement of the U.S. Federal Energy Regulatory Commission (FERC) is still needed. El Paso and Sonatrach have also agreed to increase the price of the gas imported to the U.S. to \$1.75 per BTU by 1989 and review the price every three years thereafter.

Expand

Natural gas production rose by 70 per cent in Algeria last year and should expand further in the current year. The LNG 1 gas liquefaction plant, the first to be completed in Arab, the major gas base in western Algeria, is producing at an estimated 60 per cent of capacity. That figure should be close to 100 per cent by the end of the year. Based on current production levels and taking into consideration the new price agreed between Sonatrach and El Paso, the plant will earn Algeria \$600m a year. That figure will be close to \$1bn once full production is achieved.

Keeping track of the evolution of the gas liquefaction programme is important. Up to now

the income Algeria has derived from gas has been small if compared to that derived from oil. However, by the mid-1980s gas is expected to have overtaken oil as the country's main hard currency earner.

The gamble Algeria made of developing its gas resources back in the 1960s was a bold one: it looks, and everyday more so, as if it will pay off handsomely.

Other sectors of the economy face difficult problems, however, heavy industry's productivity levels are often dismally low. A major effort has to be made to increase production levels, improve the quality of management and increase co-ordination between the various sectors and Ministries. Building further plants could spell disaster in the future.

Another problem, in certain sectors, is that of corruption. While less widespread than in many other countries in the area, it is of no minor importance, especially in the food import sector and in building. If further plants are ordered abroad, this problem will be less easy to control as management skills will be spread even thinner than they are today.

Of all the sectors requiring attention, two are paramount—agriculture and housing. The first is now in the hands of a very competent trio, two of them are officers and the third the late President's adviser on agriculture. Recent figures of production are not available but even if it has increased

on the land last year, the rate at which the population is rising and its improved standard of living mean that a sharp rise in output is vital. Not only will it keep people on the land, it will ensure that Algeria is not at the mercy of a very steep increase in the price of imported foodstuffs. Housing is another sector where the authorities must make up for a lot of lost time unless they wish to be faced with a social explosion in a few years' time.

To help finance these massive developments, Algeria increased its borrowing threefold in 1978 and emerged as the largest borrower among the OPEC countries. It raised \$3.2bn altogether and the trend has continued this year, with loans and bonds worth \$1bn arranged by early June and a \$500m loan expected. Algeria is still paying more than some of its neighbours when it raises money. Apart from the fact that its overall level of borrowing is much larger, the toughness shown by bankers and the time it takes them to negotiate seem to be the reasons behind these relatively high rates, at least according to Western bank sources.

Even if they have not changed their negotiating stance, the Algerians have tried, and to some extent succeeded, in putting some order into their borrowing and the way they approach the market. Co-ordinating from Algiers is no easy task. Perhaps if the next plan concentrates on improving the existing plants rather than building new ones, Algerian bankers will have an easier time.

Many of the problems which face Algerian planners today are not new. The smooth change in leadership has been impressive but success will only be considered complete when it is quite clear where ultimate political authority rests in Algiers. The dust has not yet settled and it is a little early to say how the Algeria of Benjedid Chadli will differ from that of Houari Boumediene—if at all.

Francis Ghiles

QATAR

Measured progress

THE BANKING community in Qatar in many ways reflects the atmosphere of the capital itself—that of an overgrown Arabian coastal village. Its wealth, banking-wise, is only 12 banks and 20 branches handling deposits worth Qatari Riyals 3.2bn. That is less than one bank for every 10,000 inhabitants, a modest ratio compared with some other nearby Gulf States.

Yet, as with banking, Qatar has always done everything in a more measured and hesitant way, allowing its neighbours to take the plunge so that the results can be assessed and absorbed by Qatar. When a property boom began over two years ago, the Government moved quickly to avoid the experience of Sharjah in the U.A.E. and forbade the banks to lend for purposes of land speculation. To a large extent it worked, for in a State as small as Qatar, with a population of only 200,000, economic measures can easily be made effective.

The economy is also a great deal smaller for Qatar is responsible for only 1.5 per cent of OPEC's total oil production. Qatar is currently running at 250,000 b/d onshore and offshore production levels are expected to average at 275,000 b/d, a considerable increase over last year, which averaged out at 246,000 b/d. Increasing production and rising prices means that Qatar's oil revenue for the year could work out in excess of QR 12bn compared with QR 9.5bn in 1978. On paper at least the Qataris are

one of the richest people on earth, with an annual per capita income of more than \$6,000. Yet despite this apparent wealth, banking in Qatar is very restrained. Bank credit in the 12 months preceding March 1979 rose only 16 per cent to QR 2.7bn compared with previous growth rates in the 1975-77 period of nearly 60 per cent. Deposits during the same period went up from QR 3.07bn to QR 3.2bn, a relatively modest jump from the time when local currency deposits were going up by over 50 per cent a year three years ago.

Heavy

Trading still absorbs the major slice of bank credit in Qatar, accounting in March this year for QR 1.2bn out of a total of QR 2.7bn. The figures issued by the Monetary Agency show that housing only absorbed some QR 525m, though undoubtedly much of the outstanding property loans and advances to contractors who are awaiting payment from the Government are hidden in other categories. Encouragingly, however, industry jumped from QR 129m to QR 223m, though as yet the favoured occupation for the Qataris is still trading.

Many are hoping that with the added bonus of the oil price increases this year, the Government will reflate the economy a little. Imports for 1978 stagnated over the level of the previous year and indeed showed a drop for the first time in Qatar's history. The drop was only small, from QR 4.8bn to QR 4.5bn and this year's figures show an encouraging trend upward.

The capital development budget for the year has also gone up 15 per cent, though as always the industrial development programme is absorbing the lion's share. Nevertheless, there is still a lot of infrastructure work to be done in Qatar, particularly in the electrical and water distribution field, though some local contractors are short of work and many are awaiting the major contracts on the two major projects under way in the capital—the Doha Sheraton Hotel and the new QR 1bn university.

Until such time as contracts are let, the banks are taking a cautious line. Most of the Government oil income earmarked for expenditure is channelled through the Qatar National Bank, which accounts for 45 per cent of all deposits, leading to occasional grumbles by other local bankers that they are left out. Nevertheless, demand for credit is still heavy and a number of banks are known to be maintaining unattractive ratios of advances to deposits. Officials of the Monetary Agency say that the instances are few and are now being tackled on an individual basis. The competition between the banks for deposits is placing certain stresses on the old interbank agreement which has been in effect for nearly eight years. The changes in world interest rates have also meant that the local banks are working on tight margins.

The interbank agreement stipulates that interest on credit shall range from 7 to 9.5 per cent annually and on deposits up to 6.5 per cent. But a number of banks anxious to sign up new customers have been offering rates as high as 9 per cent. The whole of the interbank agreement has now been made the subject of a report by the local bankers' association which has made a number of suggestions as regards interest and commission charges. The report, which took several months to pass through the Monetary Agency, has been lying in the Ministry of Finance for nearly a year and, as yet, has not been answered.

The Monetary Agency itself is only slowly adopting the apparel of a central bank. A team of inspectors is being trained to assume more supervision over the local banks in the future, and the total staff complement is expected to grow from its current total of 25.

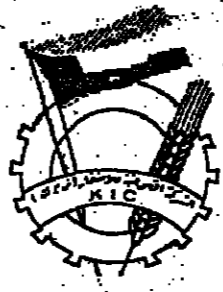
In recent months it has also become much more involved in advising the Government and enacted two revaluations of the Qatar riyal this year. The revaluations totalled 2.5 per cent, and disturbed the parity system which existed with the United Arab Emirates and Bahrain.

However, Monetary Agency officials felt that while the currency union between the three States which had been so much talked of during the past five years was desirable, it was impractical for now. The economies were too unequal, they felt.

They felt

Kathleen Bishtawi

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ARAB BANKING AND FINANCE XI

IRAQ

Greater confidence

IT TOOK the Iranian revolution to place the evident potential of Iraq in perspective. The fall of the Shah, and the cutback in Iranian oil production, emphasised the country's significance as the world's third largest oil exporter. Yet the introspective nature of Iraqi politics, combined with the obsessive secrecy of the government in Baghdad, ensures that Iraq's economic performance is usually obscure.

Its potential springs from Iraq's unique position among major Arab oil producers of having a comparatively large population. Oil production is now estimated to be 3.2m barrels a day with very large oil reserves. Exploration has been limited but the Iraqi Oil Ministry claims that these are potentially 95bn barrels.

Even without the Iranian cutbacks, Iraq eventually would have overtaken it as OPEC's second largest producer. The fall of the Shah simply means that Baghdad's current output is only a little less than its eastern neighbour. With oil revenues in 1978 already totalling 3.2bn Iraqi dinars (\$10.8bn) 1979 revenues should reach at least \$14bn.

Much of the increased revenue will be spent on improving pay and social conditions—the Government's most likely response to the possible political repercussions of the Iranian Revolution.

Secrecy

This means that its financial reserves are unlikely to show any sustained dramatic rise over the next couple of years. Over the past two years the regime has shown great secrecy on this question. The last figure that the International Monetary Fund has been permitted to publish was for the end of the third quarter of 1977. Gold and foreign exchange reserves then amounted to \$5.6bn. At the end of last year they were believed to total about \$9.5bn.

Apart from pay and social conditions, Iraq is showing a growing absorptive capacity. Last year, for instance, total expenditure on construction rose to \$3.35bn and the country is now considered the second biggest market in the Middle East for this sector. In the first quarter imports overall were 28 per cent below official projections. But this year's allocations for capital goods were up no less than 179 per cent over the 1978 level.

State organisations and ministries show a growing capacity to determine their own plans rather than rely on the Planning Ministry. But knowledge of the precise state of Iraqi finances is hardly assisted by the largely blank sheet Iraq has contributed to the IMF's

International Statistics since the beginning of 1978.

It is apparent that aid to other Arab states is increasing. The ideology of the ruling Baath party stresses that oil wealth should be spread among all the Arabs. So far Iraqi aid record has not been spectacular. At the Baghdad summit in March, Iraq pledged itself to disburse \$1bn to the front line states. As the initiator of the agreement ostracising Egypt politically and economically, the Government is bound to honour its commitments. Its increasingly farward role in the Arab world's politics is also likely to mean more aid from the Iraqi Fund for Economic Development. North Yemen is already scheduled to receive a loan of \$300m, a sign of Iraq's backing for Sanaa against Aden.

The Iraqi banking system will see little of the increased revenue. The almost total state control of the economy has tended to reduce the banks' domestic role to a smaller one than in almost any other oil exporting country. The commercial banks were nationalised as far back as 1964 (the public sector took over insurance, and re-insurance at the same time).

Since their consolidation has led to all commercial banking activity being handled by the Raedain bank, which also has part in the investment of the State's surplus—though a minor one compared with the Central Bank.

Specialised banks—the Industrial Bank, the Real Estate Bank and the Agricultural Co-operative Bank—deal exclusively in their respective spheres. Between 1980 and 1973 only ID 161.5m had been advanced by all three. Since 1974 it has been the Real Estate Bank which has expanded most rapidly, its loans for 1977 totalling ID 66m.

Commercial bank deposits by clients had risen to about \$1.5bn at the end of 1977. Yet it remains unclear what better paid Iraqis actually do with their money. Imports are closely controlled and luxury items seldom available in the shops. For instance, there is a long waiting list for cars of which imports are limited.

In vivid contrast to the situation in the Lower Gulf the Government has yet to surrender to the demand for more consumer goods. But the over-expenditure on last year's ordinary budget of \$2.2bn is largely attributed to salary increases. It is difficult to believe that the Government can continue to suppress increased demand.

The revolution in Iran is likely to reinforce the Baghdad view that its policy of austerity is the safest political course. Nevertheless, the rigorous controls on imports, combined with the many failings of the State

distribution system, clearly add to inflationary pressure which may be difficult to control.

The ruling Baath Party has always been aware that the unpopularity inevitable in its rigorous political control has been compensated for to some extent by greater economic prosperity spread right across the country. Indeed, Iraq's economic policies since the ruling Baath Party came to power in a coup in 1968 have been distinguished by the Government's acute sense of its political vulnerability.

From the fall of the monarchy in 1958 to the collapse of the Kurdish rebellion in 1975 Iraq was highly unstable. There was little industry outside the oil sector. Land reform struck at the feudal landlords without doing much for the peasantry. Development of the oil sector was affected by successive governments' disputes with the Western-owned Iraq Petroleum Company from up until its nationalisation in 1972.

Survival

The coming to power of the Baath Party in the coup in 1968 did not immediately end this situation. The Government was absorbed by the need for political survival. Planning, such as it was, remained incoherent when not merely academic.

Immediately after the 1973-74 oil price rises the Government, along with most other OPEC countries, began a policy of breakneck development. In the far south, around Khor al Zubair, vast expensive steel, fertiliser and petrochemical plants, which were largely the fruit of this policy, were begun and are now being completed. But the absence of sufficient numbers of skilled workers, managers or an adequate infrastructure has rapidly ensured that ambitious plans have had

to be abandoned. Since early in 1978 the emphasis has been largely on infrastructure.

Agriculture is an example of the failure of early plans conceived in 1973-74. Despite its theoretical priority in development planning it has proved impossible to raise its allocation in the development budget to much above 20 per cent (industry takes some 40 per cent). For all the vast irrigation and drainage schemes in the countryside, agricultural production has dropped and is still dependent on the weather.

Inevitably there is now increasing emphasis on developing the oil and gas industry. Capacity is now about 4m barrels a day and this can be pumped either to the Gulf at Fao or through two major pipelines which run across Syria and Turkey respectively. New refineries are being built (capacity was only 184,000 barrels a day in 1975) and old ones expanded.

The emphasis on the oil industry and related developments is likely to increase though investment in major new industries will be cautious and limited by the weak infrastructure. At the same time the revolution in Iran probably will prompt an increase in the military budget. The armed forces, together with internal security, already accounts for 33 per cent of the ordinary budget.

So far there is little sign that the rigorous state control of the economy is loosening. On the contrary, the country's bureaucracy appears to be more confident than ever. Such sections of the private sector which remain are expanding with official encouragement—a sign of government confidence rather than indications of a diminution in its role.

Patrick Cockburn

LIBYA

CONTINUED FROM PREVIOUS PAGE

ning 1976-80, will cost \$31.25bn when completed, 23 per cent more than originally estimated. Col. Gaddafi says: "This is crazy. Prices are rising all the time and we find it difficult to buy the goods we need." Almost everything is imported in Libya, from food to know-how and equipment.

Libya's ability to handle its revenue and to organise spending at home is seriously constrained by the weakness of the banking system. Libya's nine banks and financial institutions were nationalised in 1970, and

have no branches abroad. Foreign banks have no operations in Libya, and there is no capital market. By crippling the private sector the economic revolution has limited the banks' role. There is little profitable lending to be undertaken now. The take-over of premises has also limited the property market sharply, and hampered imports since most Libyan importers had put up their premises as collateral against trade finance.

Banks and financial institutions in Libya now handle the repatriation of foreigners' earnings—foreigners are allowed to send back home 80 per cent of their earnings if employed on a desert site and 60 per cent if employed in cities—pay foreign contractors and State or "partnership" staff, and lend for housing, interest-free. Individuals in Libya can apply for loans to up to \$47,000 to build a house. Banks also lend without interest to those willing to manage farms on land reclaimed for agriculture, but the cost of local agricultural products is still much higher than the cost of imported food.

The cost of living having risen sharply in the last two years, banks are collecting little savings. Figures are not available, no banking statistics having been published since 1977. The Libyan Arab Foreign Bank (LAFB) is a special case and warrants special consideration.

Since it was set up by the central bank in July 1972, to handle the massive oil earnings and foreign investments, it has become the most active financial institution in the country and one of the fastest growing Arab and international banks. It retains its independence, despite government control or administration changes, and its chairman, Abdullah al-Sandi, and most of the management are accountable only to Col. Gaddafi.

LAFB recorded profits of \$84.5m between 1972 and 1977 and a 1978 turnover of \$2bn. It has participated in 28 international bond issues, worth more than \$1.5bn and has been underwriter for more than 100 syndicated loans and other bonds issues worth \$6.1bn plus, of which about 30 per cent went to developing countries. It has shares ranging between 7 per cent and 60 per cent in 24 international banks and companies, of which the most spectacular is its holding in Fiat.

LAFB has taken shares in three new joint banks since January—in Niger, Greece and Peru—but has not raised its shares or increased its investments in other ventures, a sign that oil revenue surpluses are not running as high as in the early 1970s.

Gerard Castoriades

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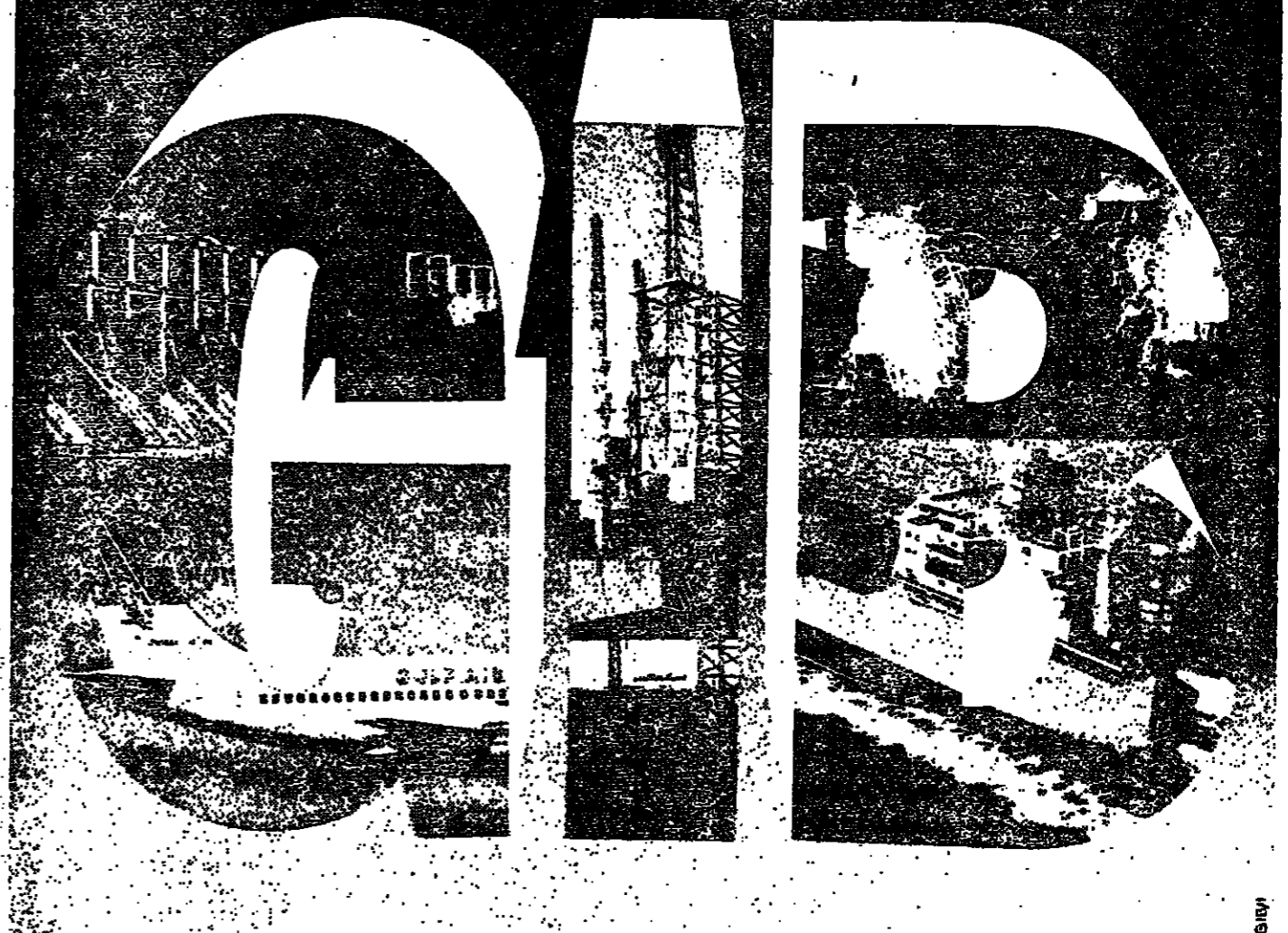
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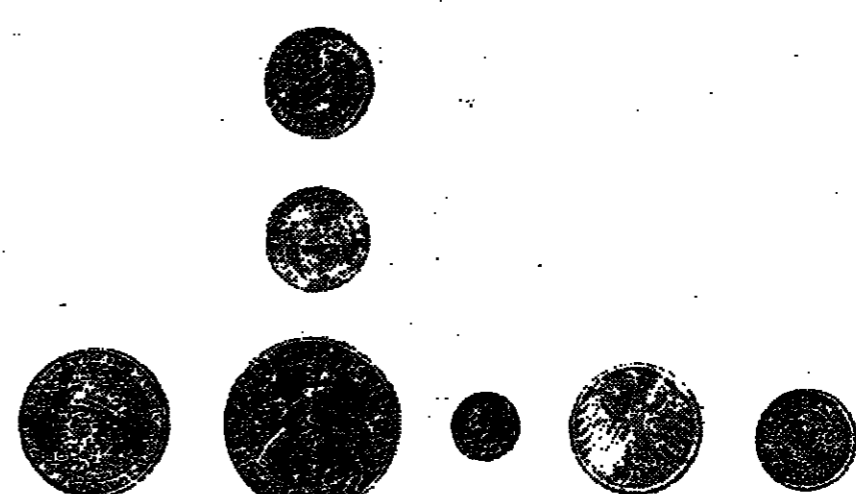
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JORDAN Huge increase in business

AFTER A very brisk rate of growth that has included both the establishment of a series of new institutions and the adoption of new financial instruments...

The controls—similar to those imposed in 1976—include a 70 per cent credit deposit ratio ceiling and raise the minimum reserve requirement of commercial banks from 12 to 13 per cent for time and savings deposits...

Central Bank officials point out that commercial bank lending during the first quarter of this year was running at the rate of some JD 9m per month, compared to about JD 4m a month in the first quarter of last year...

March 1978 to March 1979 (the latest months for which statistics are available), or from JD 302m in March 1978 to JD 508m in March 1979.

This has also reflected the increase in the economy's money supply (M2), which rose by 32 per cent in the same period, reaching JD 681m in March of this year.

The causes of the highly liquid state of the economy are to be found in the steady inflow of large amounts of money from abroad. These include the high level of official foreign aid to the central government budget...

The country's 15 commercial banks had total outstanding credits at the end of March this year of JD 363m, reflecting a very high increase of 70 per cent over March of the previous year.

The Central Bank feels it can slow down commercial bank credits with its new controls, and possibly encourage bankers to lend more money to productive projects and less to the inflationary sectors.

Judging from initial reaction by commercial bankers, it seems that the Central Bank's controls will have one intended effect of prodding bankers to lend money according to the overall development requirements of the country.

This corresponds to a series of new developments in the Jordanian banking and finance sector during the past 12 months of hectic activity...

The 15 commercial banks have been joined by two investment banking institutions—the Arab Jordan Investment Bank (with strong Gulf shareholdings) and the Arab Finance Corporation (Jordan)...

Now under establishment is the Jordan Securities Company, which will bring strong international links into the budding securities market that is growing up around the 18-month-old Amman Financial Market (stock exchange)...

It will deal in all kinds of securities and plans to open its doors in January next year. Its work will revolve around the stock exchange floor, where business has been rising faster than anticipated this year.

the first quarter of this year was JD 2,146m, and has been rising steadily to reach a daily average turnover of nearly JD 40,000 this summer.

This does not include trading of bonds, which the stock exchange initiated at the start of this year. The market lists 11 10-year bond issues worth JD 60m, all of which were issued by the Central Bank on behalf of the Government.

Negotiable certificates of deposit have also been introduced into the market by the Amman branch of Citibank, with other banks studying the popularity of Citibank's CDs to consider issuing their own.

Yet another significant development has been the move to put together locally syndicated loans for Jordanian industrialists and investors.

Another institution in metamorphosis is the Municipal Village Loan Fund, which is being changed into the Development Bank for Municipalities and Village Councils.

exchange risk inherent in international borrowings.

The foreign exchange market is also changing. The policy of the Central Bank is gradually to dismantle all foreign exchange controls.

This inflow is expected to increase this year, given that JD 400m pledged to Jordan by the Arab summit at Baghdad last autumn and the large amount of remittances from Jordanians in the oil States.

The financial sector will see more diversity with the opening of the new Jordan Islamic Bank this summer. It will offer interest-bearing accounts and interest-charging loans, and will instead operate on the profit sharing principle, which it will also apply to bond issues.

The Pension Fund is changing its status into an investment company, concentrating on launching new industries, leaving the pension-paying function to the Finance Ministry.

Another institution in metamorphosis is the Municipal Village Loan Fund, which is being changed into the Development Bank for Municipalities and Village Councils.

Rami G. Khouri

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LEBANON

Waiting for the upturn

IN SPITE of four years of continuing turbulence and instability in Lebanon, local and foreign bankers remain confident that Beirut is still capable of regaining its status as an important financial centre in the Middle East.

They admit that the volume and diversity of banking operations has shrunk during the past four years, in which there have been 18 months of bloody civil war.

During a recent visit to Lebanon, Mr. Robert Abboud, president of the First National Bank of Chicago, said: "I would

certainly advise all foreign banks to retain a foothold in this country, because I can see an economic boom is imminent."

Lebanese pragmatists, including the Prime Minister, Dr. Selim al Hoss, himself a banker turned politician, no longer uphold the concept that Beirut is the Middle East's principal financial centre "because this is no longer true" and they point to the growth of other financial centres such as Bahrain, Kuwait and Amman.

But given lasting tranquillity and peace, Beirut could prove to be an important part of the region's overall banking and financial operations, the pragmatists say.

They generally assume that the unrestricted foreign exchange market, the banking secrecy law and Lebanese expertise in dealing with money are all as perennial as the balmy Mediterranean climate, the exotic beaches and beautiful mountains of Lebanon.

As soon as relative peace returned to the country in late 1976 and the banks reopened in early 1977, most of the funds that were taken out of the country during the civil war began flowing back, augmented by substantial remittances from the Arab States by Lebanese expatriates working there.

Mr. Michel Khoury, Governor of the Central Bank, estimated recently that Lebanese expatriates' remittances totalled \$100m a month, which nicely offsets the balance of trade deficit running at around the same rate.

Another factor that led to the growth of bank deposits was the increase in the number of bank branches from 227 before the civil war to 365 by the end of 1977.

By the end of 1978, total bank deposits registered an unprecedented rise of nearly 70 per cent over the four-year period to \$1.5bn. However loans and advances did not grow in the same proportion, largely because of the continuing uncertainty in the country.

Both bankers and borrowers were reluctant to commit themselves to lending and borrowing new loans before political and security conditions cleared up.

The bulk of banking operations were geared to finance commerce and businesses with a high rate of turnover to ensure quick repayment of loans. Nevertheless, domestic credits rose from \$1.4bn in 1974 to about \$1.0bn by the end of 1978.

With long-term investment opportunities still lacking, the banks have been left with an uncomfortable excess of liquidity that remained largely inactive in the beginning but later was channelled to financing speculation in real estate and in foreign currencies, mainly the dollar.

The immediate result of such currency speculation was a depreciation in the exchange rate of the Lebanese pound vis-a-vis the dollar, the pound sterling, the Swiss and French francs as well as other convertible currencies.

Since this added fuel to spiralling inflation already running at an annual rate of 35 per cent, a popular wave of discontent began to be felt, prompting Lebanon's central bank authorities to intervene.

Various reasons have been offered to explain why the demand for foreign currencies has outpaced supply. One of these is the fact that the rate of interest on dollar and sterling accounts for example, is much higher than the interest on Lebanese bank accounts.

Some bankers have been accused of going out of their way to encourage their clients to convert their Lebanese

pound accounts into dollars and make more money.

Another reason is attributed to the general conditions of instability in the country: a slight disturbance in the security situation would immediately push up the demand for foreign currencies.

To arrest this wave of speculation, the Central Bank early this year imposed restrictions on loans in Lebanese pounds to the private sector. According to a Central Bank circular, total new loans must not exceed 20 per cent of loans outstanding on December 31, 1978, or 5 per cent of loans outstanding on April 30, 1979, whichever is the greater.

Further, in a move to absorb part of the excessive liquidity with the commercial banks, the Central Bank ordered that they should increase their mandatory reserves from 10 per cent to 15 per cent of their Lebanese pound liabilities by the end of November. There was also an additional reserve requirement of 40 per cent on credits guaranteed by foreign deposits, except on credits to finance foreign trade.

Central Bank officials hope these measures would remove at least \$120m from the banks, so discouraging speculation in property and foreign exchange, which have depressed the value of the Lebanese pound.

The government also stepped in to absorb the excessive liquidity by issuing Treasury bonds with maturity ranging between three months and five years. More than \$1.1bn have been raised in this way to finance the government's administrative expenditure over the past couple of years.

In an attempt to bolster the value of the Lebanese pound, the rate of interest on short-term Treasury Bills (three months) was also raised from 3 to 4 per cent.

In spite of all the pressure and the adverse repercussions of the war and a 50 per cent drop in economic activity, the Lebanese pound had demonstrated a remarkable strength, thanks to its high gold cover, estimated at more than \$3.5bn at current prices.

While the structure of a currency banking system and a free exchange market is already there, it would be wrong to imagine a take-off could take place immediately without drastic action in various areas related to banking.

Apart from the need for a clearly-defined monetary policy and a more effective role by the Central Bank to carry it out, urgent action is required to improve the mail system and telecommunications, including telex and telephones.

The aim, as most bankers tend to agree, is not only to return to normal, but rather to make up for the progress that would have been achieved if conditions were not disrupted by the civil war and its consequences.

Beirut may have lost its role as a channel for funds between the Arab world and the West, but it remains an important financial centre in the Middle East with an equally important part to play.

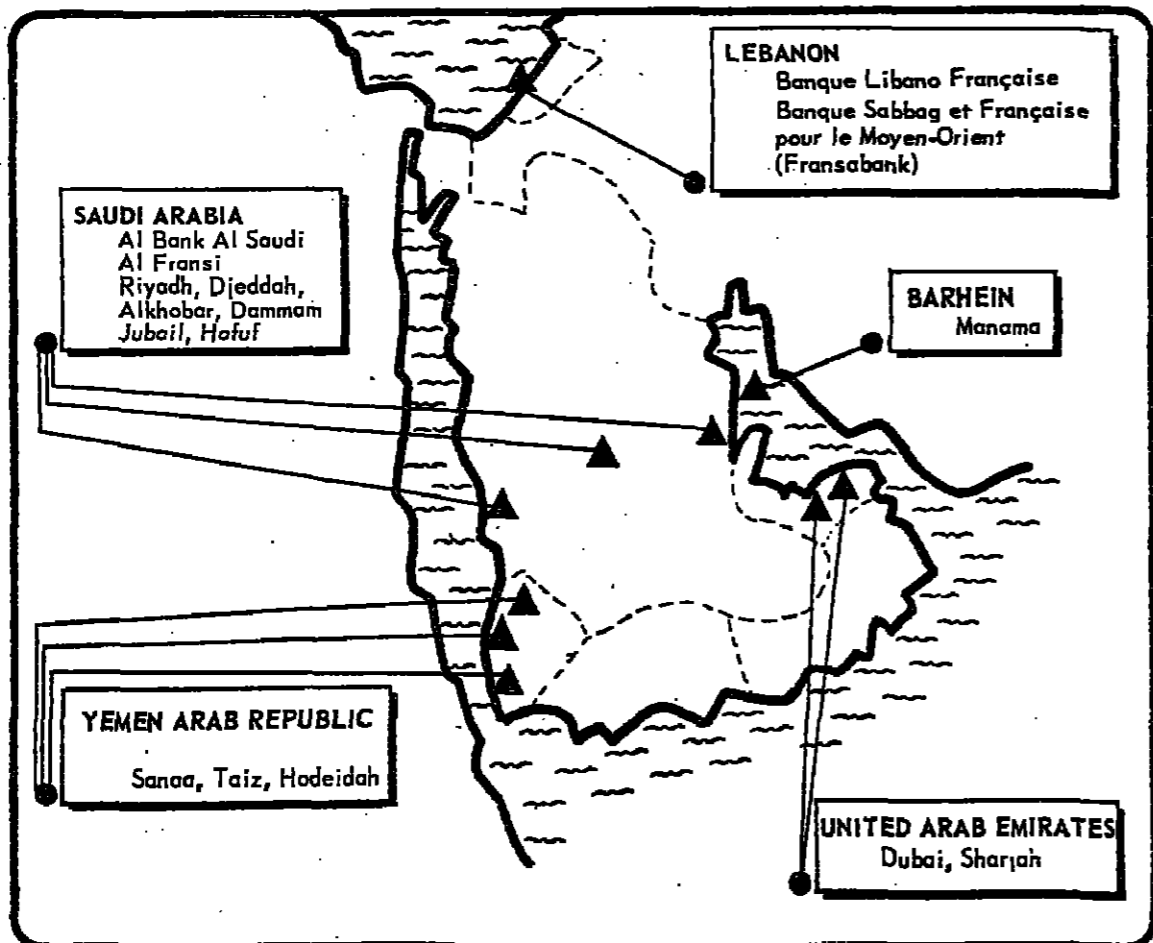
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UK COMPANY NEWS

Mercantile House offer of 2m shares at 160p

AN OFFER for sale of 2m shares in Mercantile House, a money broker and financial services group, is being made on behalf of the company by S. G. Warburg and Co. the merchant bank.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are to be paid or the sub-divisions shown below are based mainly on last year's financials.

Table with columns: Company Name, Date. Includes: Aldermore, Aldermore, Aldermore, Aldermore, Aldermore.

profit for last year amounted to £2.6m. The dividend was 10.72p and directors have forecast that, in the absence of unforeseen circumstances, a similar dividend will be paid on the new capital this year.

Leaderflush Holdings rises to £136,693

Pre-tax profits of Leaderflush (Holdings), flush door manufacturer, rose from £120,237 to £136,693 in 1978, on turnover marginally ahead at £1.65m, against £1.61m.

T. Whites well ahead at £4.71m

Sales of Timothy Whites, subsidiary of Boots Company, rose from £7.91m to £22.2m for the year ended March 31, 1979, and taxable profits came well ahead at £4.71m, against £2.67m.

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times: ACM (Section: Mines—Australia); Chamberlain and Hill (Engineering); Deight Industries (Motors—Components); New Court Natural Resources (Oils); Overseas—New York; Security Pacific Corporation (Overseas—New York); West Coast Holdings (Mines—Australia).

Mid year rise for Corn Exchange

Revenue of Corn Exchange Co for the half year ended June 30, 1979 was higher at £305,563 against £183,529 subject to tax of £107,000 compared with £22,500.

SIME DARBY LONDON

More than 90 per cent of Sime Darby London convertible preferred ordinary shares have been converted. The balance will be compulsorily converted.

SELLING OFF STATE-OWNED COMPANIES

No easy task to go private

BY MAX WILKINSON

THE GOVERNMENT is discovering that it is not as easy as it may have first appeared to sell thriving state-owned companies back to the private sector.

Its general intention of giving off the more profitable parts of the National Enterprise Board's portfolio has run into a thicket of strategic problems which have provided the background for tough fighting between the companies, the Department of Industry and the NEB.

Ministers are therefore confronted with whether to let an important supplier of defence equipment fall into the control of another, possibly foreign company.

put their money on such speculative dark horses as INMOS, the NEB's semi-conductor venture, or NEXOS its new office equipment company.

In the electronics sector, which provides two of the most obvious candidates for sale, Ferranti and International Computers Limited, the problems are particularly intricate.

The question of how much Ministers—and particularly the Prime Minister—will allow the pure theory of market capitalism to be diluted by industrial and strategic issues is still being vigorously debated in the Department of Industry.

There remains a final possibility, that the NEB will be asked to sell a portion of its stake in Ferranti, but retain a blocking share of say 20 per cent. This is the cautious policy, favoured for obvious reasons by the Ferranti management and by some people in the NEB.

Yet caution may not prevail. The Government's determination to fan the fires of private capitalism has also stirred a long-simmering desire in the Department of Industry to weld the electronics industry into larger, more powerful units.

Different view

Ferranti's management would almost certainly resist a plan to sell it to the highest bidder, but shareholders, including the Ferranti family, which holds 20 per cent, might take a different view.

The second option now being discussed would be to place the shares on the market in such a way that they would be distributed widely without any one organisation having the controlling stake.

This would probably mean the NEB's shares would realise less than if they were sold as a block. It might also result in referring to the Ferranti brothers a large measure of influence, if not control, over their family firm.

Whether this would be desirable in view of the recent history of success under new management is another delicate issue which Ministers can scarcely avoid.

A third option would be to lump the Ferranti holding together with the 24.6 per cent stake in International Computers and the other NEB electronics interests in a new "high-technology" holding company, whose shares could be floated on the open market.

This idea, put forward by Sir Leslie Murphy, the NEB chairman, has attracted a certain amount of derision within the Department of Industry and outside it.

Expertise

The Department's objection is that the NEB's companies are too diverse to make sense as a unit, and that a holding company would have neither the management structure nor the expertise to weld them together in any useful way.

The objection from City analysts is that investors attracted by Ferranti might be unwilling to take a simultaneous gamble on ICL, or vice versa. And very few institutions, it is said, will at the same time wish

Thermo-Skyships slow take-off

BY JOHN MAKINSON

The Thermo-skyship project has not yet taken off yet. Stockbrokers Laing and Cruickshank are currently seeking subscriptions for a scheme designed to resurrect the airship as a means of cheap and quiet travel, but the response has not so far been overwhelming.

Mr. Sullivan Benson, who is managing the Laing and Cruickshank package, for the skyship company, says there has been a number of small acceptances from private individuals but that the investing institutions are still standing on the sidelines.

Malcolm Wren, the company's chairman and managing director, says routes are already being planned.

St. Andrew Trust ahead

PROFITS of St. Andrew Trust improved from £482,608 to £594,987 for the first six months of 1979. Tax takes £182,213 compared with £133,834.

BIDS AND DEALS

Finlas forecasts £675,000

Finlas Holdings, for which Mr. Frank Sanderson is making a £2.57m bid on behalf of his private company, Chatley Securities, is forecasting profits of £675,000 for the year to September, compared with £415,000 for the 18 months to last September.

RENEWICK GROUP

Equity Capital for Industry says arrangements have been completed whereby whole of

DOUGHTY PLANS NEW TRUST

Mr. Roger Doughty, who recently resigned from the Tyndal Group and Lomax Wall Group of companies, intends to

SHARE STAKES

Elswick Hopper — J. R. Williams, director, has sold 100,000 shares. Beneficial holding now 212,810.

B.ELLIOTT advertisement with text 'It is with great pleasure...' and a table of financial data for 1979 and 1978.

LONRHO LIMITED advertisement for mortgage debenture stocks.

WARNER ESTATE HOLDINGS LIMITED advertisement for cumulative preference shares.

ISSUE BY TENDER PRICE £1,000,000,000 3 per cent EXCHEQUER STOCK 1984

Table with columns: Amount of Stock tendered for, Multiple. Includes: £100-£200, £200-£500, £500-£1,000, £1,000-£10,000, £10,000 or greater.

SIMCO MONEY FUNDS advertisement with table of rates paid to W/E 15th July 1979.

Form for tendering for Exchequer Stock 1984, including fields for name, address, and signature.

هكمان النحل



Short-term issue plan by Swiss National Bank

BY NICHOLAS COLLEMAN
MONEY MARKET: A plan worth about SFr2,000m is to be issued...

National Trading shows sharp advance

BY Jim Jones in Johannesburg
NATIONAL TRADING, the South African manufacturer of pipes and electrical transformers...

AMP sees second quarter rise

HARRISBURG — The U.S. electric terminals manufacturer AMP expects to report earnings for its second quarter ended June 30...

between \$3 and \$3.30 a share on sales of \$95.5m to \$95.5m. In 1978, the company earned \$2.67 a share on sales of \$80.1m.

Bank of China to open branch in New York

NEW YORK — Mr. Zhang Jingfu, the Chinese Foreign Minister, said preparations are being made to open a Bank of China branch here.

Overnite moves ahead

RICHMOND — The teamsters and independent trucking strikes this spring...

per cent to an estimated \$5.5m or \$1.70 a share from the year ago \$3.5m or \$1.18 a share.

Scientex seeks German funding

LOS ANGELES — Scientex Corporation has arranged for \$2m of its convertible debentures to be distributed by Standard Capital...

The bonds will not be sold in the U.S. They will have a five-year term, bear interest at 10 per cent and be convertible into Scientex stock at \$5 a share.

CURRENCIES, MONEY and GOLD

Dollar on edge

The speech this weekend by President Carter probably holds not only the key that could ensure the dollar's political future...

contributing quite handsomely towards creating a vicious circle. For the time being at least, there was no significant reaction within the European Monetary Union...

CURRENCY RATES

Table with columns for currency, rate, and date. Includes Sterling, Deutsche Mark, Swiss Franc, etc.

OTHER MARKETS

Table with columns for market, price, and date. Includes Argentina Peso, Australia Dollar, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns for currency, spot rate, and forward rate. Includes UK, Ireland, Canada, etc.

THE POUND SPOT AND FORWARD

Table with columns for currency, spot rate, and forward rate. Includes US, West Germany, France, etc.

EXCHANGE CROSS RATES

Table with columns for currency, rate, and date. Includes Pound Sterling, Deutsche Mark, etc.

MONEY RATES

Table with columns for currency, rate, and date. Includes New York, London, etc.

LONDON MONEY RATES

Table with columns for currency, rate, and date. Includes Sterling, etc.

NEW YORK MONEY RATES

Table with columns for currency, rate, and date. Includes Prime Rate, etc.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given...

Table with columns for company name, date, and dividend amount. Includes Acrow, Alexander, etc.

RECENT ISSUES

Table with columns for stock name, price, and date. Includes B & G (Retail) Sp, etc.

FIXED INTEREST STOCKS

Table with columns for stock name, price, and date. Includes English & Overseas Inv, etc.

"RIGHTS" OFFERS

Table with columns for stock name, price, and date. Includes Causton Str (A), etc.

BASE LENDING RATES

Table with columns for bank name and interest rate. Includes A.B.N. Bank, Allied Irish Banks, etc.

INSURANCE BASE RATES

Table with columns for insurance type and rate. Includes Vanbrugh Guaranteed, etc.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.

Table with columns for investment type and value. Includes Capital Fixed Interest Portfolio, etc.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

Scapa Group

Extracts from the Statement by the Chairman, Mr. T. Dickson Walker. Results 1979 1978. Sales 71,099 £'000, 52,361 £'000.

Bank of India (LONDON BRANCH) \$20,000,000. FLOATING RATE CERTIFICATES OF DEPOSIT DUE 1982. MANAGED BY CITICORP INTERNATIONAL GROUP.

Delay and property damage repairs

ALTHOUGH it is the injury compensation claim, which makes news, insurers and the courts handle many liability claims for damage to property.

Buildings are often damaged by vehicles or by natural occurrences such as the incursion of the roots and in a claimant's conscious world, the property owner or his insurers always want to get him to shoulder the repair cost.

Most property damage claims are settled quickly, but some drag on. Such a case was considered a year ago by Mr. Justice Chetley in the Queens Bench Division—but such is the delay in getting legal decisions reported that the case of Dadd Properties (Kent) Limited v. Canterbury City Council was only reported in May in the All England Law Reports for the information of insurers and their lawyers.

Dodd Properties owned a building in Canterbury and in 1968, during the course of construction of a new parking structure, the defendant caused damage to the building by pile driving. There was virtually no dispute on liability but inevitably there was argument over the extent of the repairs and compensation for 10 years. It was to some degree complicated by the fact that the plaintiff had spent money sufficient to get the repairs done themselves, so that at the time of the trial the damage had not been repaired.

The plaintiffs argued that as they had been kept out of the money that they were entitled to they should receive compensation at 1978 prices to have the repairs carried out. As the judge commented, the effect of delay and inflation had been starting to bite on the defendant's offer of money to get the repairs done. The judge found that the cost had risen to more than £11,000, but by the time of the trial in 1978, the cost had reached more than £30,000.

The plaintiffs said that in injury compensation claims, the victim is entitled to have damages assessed at the time of the trial subject to it being open to the wrongdoer to prove that the plaintiff has failed to act reasonably to mitigate his loss.

But set against them many legal decisions, admittedly from less inflationary times, which established that where property is damaged by tortious act or omission, the measure of compensation is to be assessed at the time of the occurrence of such damage. Relaxation of this rule is only to be made where damage is not discovered until later or where circumstances are such that it takes time for the repairs to be started.

The plaintiff's straitened financial circumstances, said the judge, were not a factor mitigating the general principle: indeed he adverted to the 45-year-old decision of the Lords on this aspect in the case of Liesboch v. Edison, saying "the appropriate damages are the cost of repairs at the time when it was reasonable to begin repair whether the time is reasonable must be judged objectively without taking into account such matters as impetuosity or financial stringency, which in the words of Lord Wright in the Liesboch case, are extrinsic."

There has always been much doubt as to whether the principle to be applied in modern economic circumstances, may be like the time for reconsideration is long overdue. In the personal injury field the wrongdoer takes his victim as he finds him, so that if the victim has an eggshell skull and is that much more seriously injured than the next man the wrongdoer has to pay accordingly. In property damage claims it is arguable that the victim's impetuosity is analogous to the eggshell skull, but the law as it stands is clearly against this view.

Save and Prosper

Mr. W. L. Banks, a director of Robert Fleming Holdings who was seconded to Save and Prosper Group in 1973, will return to full time executive duties with Robert Fleming and September 1, and will be assigned from the Board of Save and Prosper. Mr. P. J. Manser will be appointed an executive director of Save and Prosper on September 1, and will be responsible for investment management. For the last four years Mr. Manser has been managing director of Jardine Fleming and Company in Hong Kong. Mr. Manser will remain a non-executive director of Robert Fleming.

A new Save and Prosper subsidiary, Save and Prosper Investment Management, will be formed on September 1 to administer Save and Prosper's investments. In addition to Mr. Manser, the directors will be initially Mr. A. J. Perkins, Mr. L. R. Payne, Mr. C. R. Tracey and Mr. J. P. Parkin.

Mr. A. W. V. Laurie, all of whom have been associated with Save and Prosper's investment management for several years. Sir John Stewart-Clark and Mr. K. A. V. Macrell have been appointed additional non-executive directors of COPE ALLMAN INTERNATIONAL. Until his recent election as a member of the European Parliament representing East Sussex, Sir John was managing director of PricewaterhouseCoopers in Cambridge. Mr. Macrell is trade relations coordinator at Shell International.

Mr. J. P. Parkin has been appointed a director of BAKER PERKINS LTD. The FINANCIAL TIMES has appointed Mr. Richard Oliver as European advertisement manager for World Business Week. He has been with the Financial Times since 1976.

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WORLD STOCK MARKETS

Table with columns for NYSE ALL COMMON, DOW JONES, and various international stock indices like TOYOTA, JORDAN, etc.

Table titled 'EUROPE' showing stock market data for AMSTERDAM, BRUSSELS/LUXEMBOURG, SPAIN, COPENHAGEN, STOCKHOLM, VIENNA, GERMANY, and MILAN.

Table titled 'CANADA' showing stock market data for various Canadian companies and indices.

Table titled 'AUSTRALIA' showing stock market data for various Australian companies and indices.

Table titled 'HONG KONG' showing stock market data for various Hong Kong companies and indices.

This week in Parliament

TODAY COMMONS—Debate on the 1980 Preliminary Draft Community Budget. Education Bill, third reading. Remaining stages of the European Assembly (Salaries and Pensions) Bill.

LORDS—Motion on Peers expenses. Limitation Amendment Bill. Committee stage. Dealings with Witnesses Bill, second reading. Motions to approve Intelsat (Immunities and Privileges) Order 1979.

OSLO and Paris Commissioners (Immunities and Privileges Order) 1979. Capital Transfer Tax (Northern Ireland) Order 1979. Amendment of the Income Tax (Northern Ireland) Order 1979.

THURSDAY COMMONS—Debate on reintroduction of the death penalty. Motions on the Social Security (Unemployment, Sickness and Invalidity Benefit) Amendment Regulations and on the Child Benefit and Social Security (Family and Child Benefit) Amendment Regulations.

LORDS—Charging Orders Bill. Committee stage. Education Bill. Committee stage. Supplementary Estimates. Motions on Northern Ireland Order on Pneumoconiosis etc. (Workers' Compensation), on Inheritance (Provisions for Family Dependents) (Northern Ireland) Order 1979.

TOMORROW COMMONS—Debate on Opposition motion on reducing public services for those who need them most. The House will be asked to agree all outstanding Estimates and Supplementary Estimates.

LORDS—Law Officers (Miscellaneous) (Scotland) Bill. Education Bill, second reading. Motion to approve Carriage by Air Acts (Application of Provisions) (Second Amendment) Order 1979.

Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

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Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

Navigation (Noise Certification) Order 1979. Lords Order 1979. Lords Order 1979.

WALL STREET

Table titled 'WALL STREET' showing stock market data for various US companies and indices.

Handwritten text at the bottom right of the page.

Handwritten signature: J. P. ...

Companies and Markets

INTERNATIONAL BONDS

BY FRANCIS GHILES

The dollar waits for Carter

THE SHARP rise in European interest rates last week, notably in Germany, has led investors and analysts to expect a similar rise in the Eurobond market...

Bank of Switzerland and a \$25m convertible for Allegheny Airlines NV. However, the major talking point of the market was the successful introduction by the European Investment Bank of competitive bidding into the straight Eurobond market...

most regular borrowers in the Eurobond markets. Because its paper is so widely held in investment portfolios, a yield gap between EIB and other triple A credits has slowly emerged...

CURRENT INTERNATIONAL BOND ISSUES

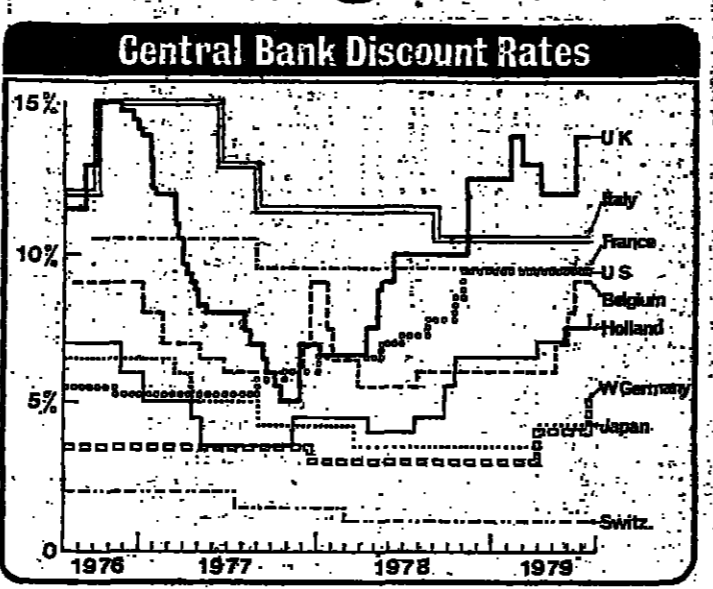
Table with columns: Amount, Maturity, Av. life, Coupon, Price, Lead manager, Offer yield. Lists various international bond issues like U.S. Dollars, Yen Straights, etc.

INTEREST RATES

Hard currency challenge to the U.S.

BY DAVID MARSH

FOR THE first time since 1973 the international foreign exchange and capital markets are confronted with a generally weak dollar and rising interest rates in the hard currency zone...



last week after a rare appearance at the monthly BIS meeting in Basel visited Frankfurt and Zurich to discuss interest rate strategy.

if the 1 per cent discount rate stays at its artificially low level for the time being, Switzerland's inflation rate, measured by the annual rise in the consumer price index, went up to a practically unheard of 4.1 per cent in June...

U.S. BONDS BY DAVID LASCELLES

Waiting for guidance

DESPITE ALL the competing factors of international interest rate rises, another Fed open market committee meeting and further rises in the money supply, the U.S. credit markets spent most of last week focusing on one thing: President Carter's forthcoming energy message...

FT INTERNATIONAL BOND SERVICE

Large table with columns: U.S. DOLLAR STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, EUROPEAN TURNOVERS, STRAIGHT BONDS, FLOATING RATE NOTES, CONVERTIBLE BONDS, SWISS FRANS STRAIGHTS. Contains detailed bond listings and prices.

This announcement appears as a matter of record only



REPUBLIC OF KENYA U.S. \$200,000,000

Six Year Multicurrency Credit Facility

National Westminster Bank Group

- List of participating banks: Bank of Montreal, The Bank of Tokyo, Ltd., Barclays International Group, Chase Merchant Banking Group, Citicorp International Group, Deutsche Bank Compagnie Financiere Luxembourg, First Chicago Limited, The Fuji Bank, Limited, Manufacturers Hanover Limited, Midland Bank Limited, The Royal Bank of Canada (London) Limited, Standard Chartered Bank Limited.

International Westminster Bank Limited







BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Table listing UK trade fairs and exhibitions with columns for Date, Title, Venue, and Contact Information.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagement during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final.

Table listing weekly financial diary events, including company names, dates, and times.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table listing overseas trade fairs and exhibitions with columns for Date, Title, Venue, and Contact Information.

BUSINESS AND MANAGEMENT CONFERENCES

Table listing business and management conferences with columns for Date, Title, Venue, and Contact Information.

Tenneco Inc advertisement featuring the company logo and text: 'The 1979 third quarter dividend of 55c per share on the Common Stock will be paid September 11, to stockholders of record on August 10. More than 230,000 stockholders will share in our earnings.'

FINANCE FOR INDUSTRY TERM DEPOSITS advertisement with a table showing interest rates for various terms (3, 4, 5, 6, 7, 8, 9, 10 years).

Federal National Mortgage Association advertisement with the FNMA logo and text: 'Announces that it will now offer its Short Term Notes through the following Selling Group: Bank of America NT & SA, A.G. Becker Incorporated, Citibank, N.A., Continental Bank, Goldman, Sachs & Co., Lehman Brothers Kuhn Loeb Incorporated, Merrill Lynch Government Securities Inc., Salomon Brothers.'

Public Works Loan Board rates

Table showing Public Works Loan Board rates for various loan types and terms, including 'Effective from July 7' and 'Quota loans repaid'.

Mercantile House Holdings Limited advertisement featuring the company logo and detailed text regarding the offer for sale of 2,000,000 ordinary shares at 25p each.

Application Form for Mercantile House Holdings Limited, including sections for 'Application Form', 'Procedure for Application', and 'Copies of this Offer for Sale'.

Mercantile House Holdings Limited advertisement featuring the company logo and text: 'Offer for Sale by S.G. Warburg & Co. Ltd. of 2,000,000 Ordinary Shares of 25p each at 160p per share payable in full on application.'





Handwritten scribble at the top right of the page.

INSURANCE—Continued

Table of insurance stocks including companies like American Life, British American, and others with columns for stock, price, and volume.

LEISURE

Table of leisure-related stocks such as Holiday Inns, Sunair, and others.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland and others.

Commercial Vehicles

Table of commercial vehicle stocks.

Components

Table of component stocks.

Garages and Distributors

Table of garage and distributor stocks.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks.

PAPER PRINTING ADVERTISING

Table of paper printing and advertising stocks.

PROPERTY—Continued

Table of property stocks including companies like British Land and others.

SHIPPING

Table of shipping stocks.

SHOES AND LEATHER

Table of shoes and leather stocks.

SOUTH AFRICANS

Table of South African stocks.

TEXTILES

Table of textile stocks.

TOBACCO

Table of tobacco stocks.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks.

PROPERTY

Table of property stocks.

INVESTMENT TRUSTS—Cont.

Table of investment trusts.

FINANCE, LAND—Continued

Table of finance and land stocks.

OILS

Table of oil stocks.

OVERSEAS TRADERS

Table of overseas trader stocks.

RUBBERS AND SISALS

Table of rubber and sisal stocks.

TEAS

Table of tea stocks.

Sri Lanka

Table of Sri Lanka stocks.

AFRICA

Table of African stocks.

FINANCE, LAND—Continued

Table of finance and land stocks.

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Sri Lanka

Table of Sri Lanka stocks.

AFRICA

Table of African stocks.

IBM COMPUTERS advertisement with logo and contact information for CIG Computers Limited.

MINES—Continued AUSTRALIAN

Table of Australian mining stocks.

TINS

Table of tin stocks.

COPPER

Table of copper stocks.

MISCELLANEOUS

Table of miscellaneous stocks.

GOLDS EX-\$ PREMIUM

Table of gold premium stocks.

NOTES

Notes section containing various financial and market-related information.

REGIONAL MARKETS

Table of regional market data.

OPTIONS

Table of options data.

INSURANCE

Table of insurance stocks.

PROPERTY

Table of property stocks.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks.

FINANCE, LAND—Continued

Table of finance and land stocks.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks.

CENTRAL AFRICAN

Table of Central African stocks.

FINANCIAL TIMES

Monday July 16 1979

IT'S INCONCEIVABLE Not to contact us, if you want a factory office or shop. Grimley & son

NEB calls on Whitehall to finance titanium plant

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT has been told by the National Enterprise Board that up to £20m of state aid should be provided as quickly as possible to finance the construction of a titanium production plant in Hartlepool...

Veto likely for NEB electronics move

BY MAX WILKINSON

THE NATIONAL Enterprise Board's plan to create a new electronics holding company out of its present portfolio is likely to be vetoed by the Government...

Tax group applies to regain seized papers

BY DAVID FREUD

THE ROSSMINSTER group of companies, whose premises were searched by the Inland Revenue on Friday on the grounds of suspected tax fraud, will seek an injunction for the return of all seized documents tomorrow...

Regional industry aid cuts

help make up the target reduction in spending of 20 per cent.

On selective aid under Section 8 of the 1972 Industry Act, Sir Keith is expected to announce that existing applications for aid under the £150m Selective Investment Scheme will continue to be processed...

PLO likely to gain Ankara office after role in ending siege

BY METIN MUNIR IN ANKARA

THE PALESTINE Liberation Organisation stands to make considerable political gains from its successful role as mediator in negotiating the surrender early yesterday of the four young terrorists holding 13 hostages in the Egyptian embassy in Ankara...

Oil licence delays may stop new drilling

By Ray Dafer, Energy Editor

THE GOVERNMENT is close to announcing its decision on the future role of British National Oil Corporation. A Cabinet committee has already discussed draft proposals and details should be made known next week...

Hope for Muzorewa in Kenya statement

BY OUR FOREIGN STAFF

AFRICA must not close its eyes to the "very significant change" which has taken place in Rhodesia since the May elections, according to Mr. Mwai Kibaki, Kenya's Vice-President...

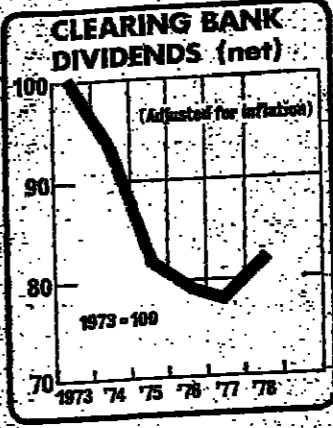
Weather

UK TODAY DRY and bright generally some cloud and rain in Scotland. London, S.E. E. Anglia, S. and Midlands, Ch. Islands, S. Wales Mainly dry, bright periods. Max. 34C (95F)...

THE LEX COLUMN

Payout policy at the Big Four

Later this week the first of the big four clearing banks, Lloyds, announces its interim payout figures and on all the evidence they should be very good...



big U.S. banks gives a possible clue. Citicorp and Bank of America, for example, maintain a dividend cover of around 3.5 times...

Underperformance

But the big question mark hanging over bank shares at the moment has nothing to do with their immediate profitability but concerns their future dividend policy...

Double dividend

But U.S. banks differ from British banks in many ways and this probably includes attitudes towards acceptable levels of dividend cover...

The next decade

Looking beyond 1980 the outlook for bank profits is much more hazy. There was a brief spell at the end of 1977 when interest rates fell to 5 per cent and the clearing banks found life distinctly unworkable...

At present form the banks have plenty of scope for raising their dividends substantially. Last year the aggregate dividends of the big four clearing banks were covered 6.6 times on published earnings and after adjusting for a full tax charge the cover falls only to 4.9 times...

CAVENDES U.S. \$20,000,000 Bearer Depository Receipts representing undivided interests in a Floating Rate Deposit finally due 1986. C.A. Cavendes Sociedad Financiera. 16th July 1979